



EY Payroll NewsFlash Workforce Tax Services

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Arkansas income tax withholding rates are updated effective October 1, 2022 to reflect law lowering the top income tax rate

The Arkansas Department of Revenue has released the revised [withholding tax formula](#) reflecting the changes made by [SB.1 \(Act 2\)](#), enacted on August 11, 2022. Retroactive to January 1, 2022, SB. 1 lowers the top marginal income tax rate from 5.5% to 4.9% and increases the income level at which the highest tax rate applies. SB. 1 accelerates the tax cuts that were signed into law in December 2021 and is anticipated to save taxpayers over \$400 million. ([Governor Hutchison, Summary of Tax Cuts.](#))

The revised withholding formula is effective with wages paid on after October 1, 2022. The Department also revised its [Withholding Tax, Employer's Instructions](#).

Withholding on supplemental wages

If bonuses, commissions, or overtime wages are paid at the same time as regular wages, the income tax withheld is determined by deducting 4.9% of the bonus or commission for state income tax.

The Department suggests that employers advise their employees that the 4.9% withholding rate could, in some cases, be more than the income tax liability and cannot be recovered until the employee files the Arkansas personal income tax return. ([Withholding Tax, Employer's Instructions](#), p 4.).

Contact us for more information

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