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Changes to income tax withholding tables announced by Department of Finance and Administration

Effective March 1, Arkansans may see an increase in each paycheck

LITTLE ROCK, Arkansas (February 14, 2020) – The Arkansas Department of Finance and Administration (DFA) recently announced to the state’s approximately 80,000 employers that the income tax withholding tables will change effective March 1. As a result, Arkansans may see an increase in the amount of their paychecks. This is not a tax increase or cut. The timing of receiving the money simply changes. While paychecks may increase, annual tax refunds may decrease as an offset.

“Governor Hutchinson has implemented three separate significant income tax cuts since 2015 that impacted every income group,” said Charlie Collins, DFA’s Commissioner of Revenue. “Middle-income earners received a rate reduction first, then low-income earners and most recently the top income tax rate was reduced. Combined, these rate cuts will put $250 million dollars annually back into the pockets of Arkansans. Because our tax rates have been lowered, the time is right to adjust our withholding tables to optimize income tax withholding for the lower rate structure.”

Due to the withholding table adjustments, approximately $15 million per month will be added to Arkansans paychecks in coming months, providing more money in Arkansas throughout the year. This increase will be offset in the future by lower tax refunds. Those who wish to maintain a higher annual tax refund can simply ask their employer to adjust the AR4EC form to increase the amount withheld each paycheck.
As tax refunds issued now (in 2020) relate to tax year 2019 they are not affected by the withholding changes. The upcoming withholding changes will not impact annual refunds until calendar year 2021.

Employers may find the new tables at http://ar.gov/WithholdingTaxTables.

Additional information on DFA may be found at www.dfa.arkansas.gov.