



Arkansas House Newsletter

December 19, 2018

Tax Reform in Arkansas

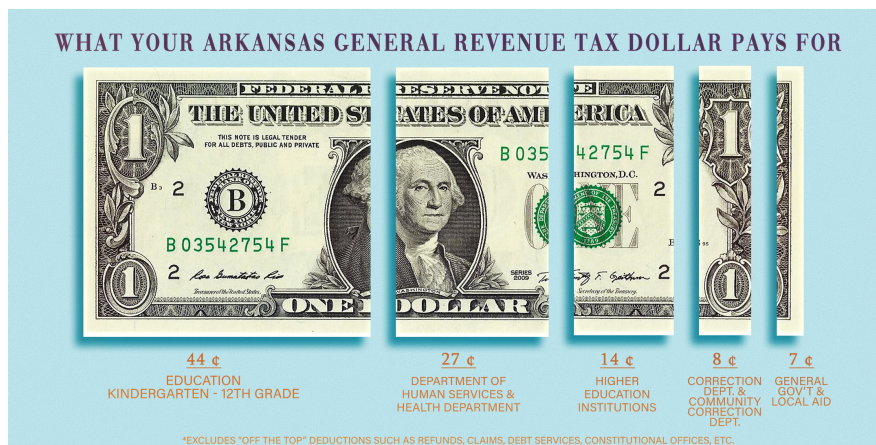
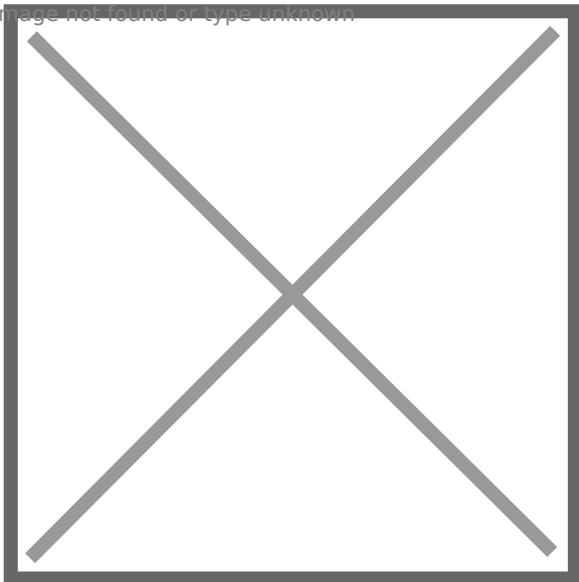


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The Arkansas Tax Reform and Relief Task Force has completed its work. This task force was created in 2017 in the same legislation that lowered the income tax rate for Arkansans making below \$21,000 a year.

Since that time, the task force has been exploring everything from capital gains taxes to registration fees on electric and hybrid cars.

In its final meeting this week, the members were presented with fiscal impact estimates for several proposals. They also voted on their top preference for reform going into the 2019 Regular Session.

The top preference for the task force is to reduce the state's top individual tax rate phased in over a 3 year period.

The Governor has submitted a proposal to reduce the rate over a 4 year period. It has been referred to as the "2-4-5.9" plan since the rates would ultimately be charged at those percentages depending on income.

Currently, Arkansas has six tax brackets, ranging from 0.9% to 6.9%. To offset the increase for the lowest tax bracket, the current proposals include an increase to the standard deduction.

The standard deduction would increase from \$2,200 to \$6,800 for single taxpayers and \$4,400 to \$13,600 for married taxpayers.

The second preference of the task force is to implement the governor's income-tax cut plan within two years. The third preference would reduce the number of tax tables from three to one.

Any proposal will ultimately need final approval of the legislature. The first and second preference of the task force would require a $\frac{3}{4}$ majority. The third preference would require a simple majority for approval.

We have posted the economic impact of various proposals on our website www.arkansashouse.org.

The 2019 Regular Session begins on January 14.