



# Updated Fiscal Impact and Proposed Timeline for 2-4-5.9 Plan

Arkansas Tax Reform and Relief Legislative Task Force

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Arkansas Department of Finance and Administration



# Overview of 2-4-5.9 Plan – Phase One

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- In Phase One (Tax Year 2020) Combines the current three income tax tables into one table and restructures the brackets.
- Changes standard deduction from \$2,200 for single taxpayers to \$6,800 and \$4,400 for married taxpayers to \$13,600.
- Personal tax credit remains at \$26.
- Phase One reduces the top rate to 6.5%.
- Gives tax relief to both middle income and upper income taxpayers.
- An additional “marriage bonus” is provided to married taxpayers, primarily as a result of increased standard deduction.

# 2-4-5.9 Plan – Phase One Tax Table

- The Individual Income Tax table under Phase One (effective for Tax Year 2020) would be as follows:

<b>2-4-5.9/6.5 Bracket</b>		
<b>\$0</b>	<b>\$8,000</b>	<b>2.0%</b>
<b>\$8,001</b>	<b>\$18,000</b>	<b>4.0%</b>
<b>\$18,001</b>	<b>\$65,000</b>	<b>5.9%</b>
<b>\$65,001</b>	<b>and up</b>	<b>6.5%</b>

# 2-4-5.9 Plan – Phase One Revenue Impact

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- In Phase One, the revenue impact in Fiscal Year 2020 is **\$47.4 million**.

## 2-4-5.9 Plan – Phase Two

- The Individual Income Tax table under Phase Two (effective for Tax Year 2021) would be as follows:

<b>2-4-5.9/6.3 Bracket</b>		
<b>\$0</b>	<b>\$8,000</b>	<b>2.0%</b>
<b>\$8,001</b>	<b>\$18,000</b>	<b>4.0%</b>
<b>\$18,001</b>	<b>\$65,000</b>	<b>5.9%</b>
<b>\$65,001</b>	<b>and up</b>	<b>6.3%</b>

# 2-4-5.9 Plan – Phase Two Revenue Impact

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- In Phase Two, the revenue impact in Fiscal Year 2021 is **\$63.6 million**.

# 2-4-5.9 Plan – Phase Three Tax Table

- The Individual Income Tax table under Phase Three (effective for Tax Year 2022) would be as follows:

<b>2-4-5.9/6.1 Bracket</b>		
<b>\$0</b>	<b>\$8,000</b>	<b>2.0%</b>
<b>\$8,001</b>	<b>\$18,000</b>	<b>4.0%</b>
<b>\$18,001</b>	<b>\$65,000</b>	<b>5.9%</b>
<b>\$65,001</b>	<b>and up</b>	<b>6.1%</b>

# 2-4-5.9 Plan – Phase Three Revenue Impact

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- In Phase Three, the revenue impact in Fiscal Year 2022 is **\$32.4 million**.



# 2-4-5.9 Plan – Phase Four Tax Table

- The Individual Income Tax table under Phase Four (effective for Tax Years 2023 and thereafter) would be as follows:

<b>2-4-5.9 Bracket</b>		
<b>\$0</b>	<b>\$8,000</b>	<b>2.0%</b>
<b>\$8,001</b>	<b>\$18,000</b>	<b>4.0%</b>
<b>\$18,001</b>	<b>and up</b>	<b>5.9%</b>

# 2-4-5.9 Plan – Phase Four Revenue Impact

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- In Phase Four, the revenue impact in Fiscal Year 2023 is **\$32.2 million** and **\$16 million** in Fiscal Year 2024.



# Revenue Offsets

Tax Cuts and Jobs Act – Itemized Deductions Conformity  
and Sales Tax on Magazine Subscriptions

# 2-4-5.9 Plan – Revenue Offsets - TCJA

- Tax Cuts and Jobs Act – Itemized Deductions Conformity

## **IRC Itemized Deductions Adopted by Arkansas**

Charitable Contributions	\$	-968,319
Moving Expenses		409,696
Personal Casualty and Theft Losses		457,866
Mortgage Interest Deduction		1,944,573
Alimony Deduction		<u>925,949</u>
<b>Total</b>	<b>\$</b>	<b>2,769,765</b>

## **§ 26-51-437 Miscellaneous Deductions**

Unreimbursed Employee Business Expenses	\$	17,983,794
Other Miscellaneous Expenses		<u>8,079,676</u>
<b>Total</b>	<b>\$</b>	<b>26,063,470</b>

**Total Revenue Impact – Federal Conformity** **\$ 28,833,235**

# 2-4-5.9 Plan – Revenue Offsets – Magazine Subscriptions

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Estimated revenue impact of collecting sales tax on sales of magazine subscriptions is **\$1.56 million**.

# Conclusion

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- Questions?