

## SENATE AND HOUSE COMMITTEES ON REVENUE AND TAXATION

August 27, 2013, 10:00 a.m.

Room 171, Little Rock, Arkansas

### Meeting Minutes

The Senate and House Committees on Revenue and Taxation met on Tuesday, August 27, 2013, at 10:00 a.m. in Committee Room 171, Little Rock, Arkansas.

Committee members in attendance were Senators Jake Files *Senate Chair*, Bart Hester, Michael Lamoureux, Bruce Maloch, Bill Sample, Larry Teague, Representatives Charlie Collins, *House Chair*, Denny Altes, Eddie Armstrong, Duncan Baird, Ken Bragg, Harold Copenhaver, John K. Hutchison, Lane Jean, Joe Jett, Allen Kerr, Stephen Meeks, and Tommy Thompson.

Non-Voting member in attendance was Representatives David Meeks.

Other members in attendance were Representatives John Burris, John Catlett, Ann Clemmer, Gary Deffenbaugh, Jody Dickinson, Jim Dotson, Charlotte Vining Douglas, David Hillman, Sheilla Lampkin, Greg Leding, Reginald Murdock, Betty Overbey, Mary Slinkard, and Senators Jonathan Dismang, Johnny Key, and Jason Rapert.

Representative Collins opened the meeting.

#### **Adoption of Minutes** [Exhibit C]

Representative Copenhaver moved to adopt the minutes from July 19, 2012. Representative Thompson seconded the motion, and without objection, the motion carried.

#### **Adoption of Interim Study Proposals Referred to Committee** [Exhibits D-1 through D-8]

The committees considered the following Interim Study Proposals:

1. ISP2013-087 by Rep. Dotson
2. ISP2013-098 by Rep. Lowery
3. ISP2013-100 by Rep. Lowery
4. ISP2013-113 by Rep. English
5. ISP2013-117 by Rep. Files
6. ISP2013-137 by Rep. English
7. ISP2013-151 by Rep. Leding
8. ISP2013-152 by Rep. Leding

Representative Kerr moved the ISPs under consideration be adopted, and without objection, the motion carried.

#### **Tax Reduction Bills Passed During the 2013 Regular Session** [Exhibit E]

Mr. Richard Wilson, Assistant Director, Bureau of Legislative Research, gave an overview of the tax reduction bills passed during the 2013 Regular Session. Mr. Wilson said for FY14, the total impact will be \$11.7 million, and \$161 million in FY16. Mr. Wilson said the reduction in the grocery tax is subject to a reduction in certain expenditures, and the desegregation money is most likely to trigger the reduction. If the grocery tax reduction took place in FY16, the impact would be approximately \$200 million.

Representative Collins said he had requested Mr. Wilson run two individual income tax reduction scenarios to build on the reduction implemented by HB1585. The first handouts (#1) Mr. Wilson provided were reductions in individual income tax rates, listing current tax brackets and interest points. The two rate reduction scenarios are based on a .2% rate reduction each year and a .3% rate reduction each year until the individual state income tax rate is eliminated.

Mr. Wilson's second handout (#2) compared growth rates in the state's individual income tax revenue (IIT) to the gross state product (GSP) beginning in year 1977 through 2013. The compound growth rate for IIT was 7.750% and 5.61% for GPS. The long linear growth rate for IIT equaled 7.096% and GPS equaled 5.491%. Mr. Wilson stated from 1977 through 2013, tax brackets did not change.

Mr. John Theis, Department of Finance and Administration, will research the fiscal impact of Representative Collins HB1585 and provide that information to committee staff for dissemination to committee members.

Senator Teague requested a list of the new taxes implemented as a result of the Affordable Care Act.

Meeting adjourned at 10:50 a.m.