

MINUTES
TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE
JANUARY 8, 2018

The Tax Reform and Relief Legislative Task Force met Monday, January 8, 2018, at 9:00 a.m., in Room A-MAC, Little Rock, Arkansas.

Task Force members present: Senators Jim Hendren, chair, Jonathan Dismang, Joyce Elliott, Bart Hester, Keith Ingram, Missy Irvin, and Larry Teague; Representatives Lane Jean, chair, Frances Cavanaugh, Jim Dotson, Kenneth B. Ferguson, Joe Jett, and Mathew Pitsch.

Other legislators present: Senators Linda Chesterfield, John Cooper, Trent Garner, Jimmy Hickey, Jr., and Bill Sample; Representatives Fred Allen, Bob Ballinger, Charlie Collins, Jeremy Gillam, Ken Henderson, Steve Hollowell, Douglas House, Jack Ladyman, Fred Love, Roger Lynch, John Maddox, Steve Magie, Austin McCollum, Ron McNair, Aaron Pilkington, Marcus Richmond, Laurie Rushing, Matthew Shepherd, Nelda Speaks, Dan Sullivan, Danny Watson, Jeff Williams, and Carlton Wing.

Senator Hendren called the meeting to order. He advised that the Task Force's Interim Report is posted on the website. Copies of the report were submitted to the Governor, Speaker of the House of Representatives, and President Pro Tempore of the Senate.

Consideration to Approve Minutes from the December 5 and 6, 2017, Meetings [Exhibits C1, C2]

Senator Teague made a motion to approve minutes from the December 5 and 6, 2017, Tax Reform and Relief Legislative Task Force meetings; with a second by Representative Dotson, the minutes were approved.

Presentation on Arkansas' Individual Income Tax [Exhibit D]

Mr. Randy Bauer, Project Manager, PFM Group Consulting, LLC, was recognized to give a presentation regarding the state's Individual Income Tax rates as compared to surrounding states. Arkansas' Individual Income Tax rates ranged second lowest (0.90% to highest at 6.90%). The state's Individual Income Tax brackets ranked 4th compared to other states starting at \$4,299 to highest at \$35,100. Mr. Bauer also gave an overview of comparison states with marginal tax rates by income (married filed jointly), the state's personal exemptions, standard deduction, and the impact of federal tax changes.

Presentation on Arkansas' Corporate Income Tax [Exhibit E]

Mr. Bauer explained that the state's corporate income tax revenue ranks lower than the national average at 4.8%. Arkansas is one of nine benchmark states that double weight sales while also using property and payroll in its formula. Arkansas has eighteen corporate income tax credits, seven of which are in excess of \$1 million.

Other Business

Senator Hendren addressed the education phase provided by PFM. He stated it is time to go in a different direction utilizing in-house resources and other external entities. These resources include, but are not limited to, staff from the Bureau of Legislative Research, Arkansas Department of Finance and Administration and other state entities that can assist the task force in its work toward defining a comprehensive tax policy.

Senator Hendren stated that the Bureau of Legislative Research has paid PFM \$88,532.50 for work conducted through November 2017. Remaining billing will include hourly billing and travel expense reimbursements for December 2017 through January 8, 2018. The PFM Consultant Services Agreement states that “Either party may terminate the Agreement by giving ten (10) days prior written notice.” The Bureau, as the contracting party, will give this notice upon direction from the Task Force.

Representative Dotson made a motion to authorize the Bureau of Legislative Research to terminate the Consultant Services Agreement with PFM Group-Consulting, LLC; with a second by Senator Irvin, the motion passed.

The next Tax Reform task force meeting will be February 5, 2018.

The meeting adjourned at 1:15 p.m.