

SUMMARY OF PROPOSAL #43A
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Food Tax Credit

Summary of Proposal for Consideration

To create a refundable income tax credit to offset the amount of taxes low-to-moderate-income earners will pay for purchases of food and food ingredients, effective for tax years beginning on or after January 1, 2019.

Fiscal Analysis

Based on information from DFA*, the following are the average amounts spent on groceries for an individual and a family of four at certain income levels and the corresponding average amount each would pay in sales tax for those groceries:

Individual				Family of Four			
Income	≤\$20,000	≤\$30,000	≤\$40,000	Income	≤\$20,000	≤\$30,000	≤\$40,000
Food	\$1,785.50	\$1,829.40	\$1,871.80	Food	\$4,566	\$4,440	\$4,327
Tax	\$107.13	\$109.76	\$112.31	Tax	\$273.96	\$266.40	\$259.62

*See attached spreadsheets provided by DFA for full details concerning the average amount of money spent per year for an individual and for a family of four.

Legal Analysis

Background

Arkansas does not currently have an income tax credit related to the amount of taxes a person or family pays in taxes on food items.

Potential Legal Issues

None.

Other States

- Iowa: No credit
- Louisiana: No credit
- Mississippi: No credit
- Missouri: No credit
- Oklahoma: Refundable credit of \$40 per personal exemption for:
 - Individuals with an income of \$20,000 or less; or
 - A person with an income of \$50,000 or less who is elderly or disabled or who has dependents
- Tennessee: No credit
- Texas: No credit

Table 3403. Consumer units of one person by income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2015-2016

Item	Total one person	Less than \$5,000	\$5,000 to \$9,999	\$10,000 to \$14,999	\$15,000 to \$19,999	\$20,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 and more
Number of consumer units (in thousands)	37,967	3,714	2,712	5,277	5,028	6,155	3,636	2,959	3,805	4,682
Consumer unit characteristics:										
Income before taxes	\$35,851	\$2,382	\$8,051	\$12,727	\$17,403	\$24,441	\$34,284	\$44,196	\$58,422	\$116,979
Wages and salaries	23,679	775	2,372	2,411	4,078	10,610	22,617	31,902	47,001	93,067
Self-employment income	1,753	-80	164	187	188	497	1,077	1,914	1,922	9,509
Social Security, private and government retirement	7,859	429	3,197	8,277	11,919	11,548	8,481	7,773	6,964	7,072
Interest, dividends, rental income, other property income	1,277	23	150	97	216	611	909	1,303	1,605	6,269
Public assistance, Supplemental Security Income, Supplementary Nutrition Assistance Program (SNAP)	406	745	1,081	1,068	281	229	170	c/ 128	c/ 48	c/ 14
Unemployment and workers' compensation, veterans' benefits, and regular contributions for support	375	57	246	181	212	418	443	862	427	635
Other income	503	433	842	507	508	528	588	313	455	413
Average annual expenditures	\$34,365	\$19,216	\$19,341	\$18,977	\$24,491	\$31,798	\$34,008	\$38,794	\$45,824	\$73,940
Food at home	2,117	1,869	1,543	1,834	1,896	2,005	2,084	2,112	2,409	3,069

c Data are likely to have large sampling errors.

Public assistance, supplemental security income, and Food stamps includes public assistance or welfare, including money received from job training grants; supplemental security income paid by Federal, State, and local welfare agencies to low-income persons who are age 65 or over, blind, or disabled; **and the value of Food stamps obtained.**

Food at home refers to the total expenditures for food at grocery stores (or other food stores) and food prepared by the consumer unit on trips. It excludes the purchase of nonfood items. It includes sales tax paid. **NOTE:** this definition does not exactly match Arkansas' definition for foods taxed at a lower rate.

In the Consumer Expenditure Survey, expenditures are included independent of the method of payment (e.g., food stamps, cash out of pocket). Instructions specify that households are to include items paid for with SNAP

Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, September, 2017

Table 3443. Consumer units of four people by income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2015-2016

Item	Total four people	Less than \$10,000	\$10,000 to \$14,999	\$15,000 to \$19,999	\$20,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 and more
Number of consumer units (in thousands)	16,563	445	312	462	1,215	1,183	1,203	2,206	9,539
Consumer unit characteristics:									
Income before taxes	\$106,955	\$5,847	\$13,018	\$17,646	\$25,714	\$34,881	\$44,633	\$60,110	\$157,041
Wages and salaries	89,292	1,889	6,349	11,405	18,092	27,995	38,216	50,991	131,817
Self-employment income	12,013	a/40	a/121	a/941	982	1,220	1,594	3,471	19,528
Social Security, private and government retirement	3,103	a/243	a/1,497	a/1,775	3,410	3,303	3,030	3,858	3,125
Interest, dividends, rental income, other property income	978	a/87	c/	a/26	a/51	a/88	a/78	291	1,599
Public assistance, Supplemental Security Income, Supplementary Nutrition Assistance Program (SNAP)	764	2,700	4,003	2,921	2,553	1,553	1,029	506	164
Unemployment and workers' compensation, veterans' benefits, and regular contributions for support	527	a/216	a/407	a/259	398	a/467	622	632	546
Other income	278	a/671	a/641	a/317	a/229	257	a/63	a/361	263
Average annual expenditures	\$76,536	\$38,770	\$29,308	\$31,704	\$33,304	\$41,498	\$47,166	\$56,244	\$100,521
Food at home	5,654	4,862	4,429	4,406	4,062	3,876	4,192	4,557	6,719

a Data are likely to have large sampling errors.

b Value is too small to display.

c No data reported.

Public assistance, supplemental security income, and Food stamps includes public assistance or welfare, including money received from job training grants; supplemental security income paid by Federal, State, and local welfare agencies to low-income persons who are age 65 or over, blind, or disabled; and the value of Food stamps obtained.

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In the Consumer Expenditure Survey, expenditures are included independent of the method of payment (e.g., food stamps, cash out of pocket). Instructions specify that households are to include items paid for with SNAP

Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, September, 2017

Tables 3103, 3113, 3123, 3133. Four regions by income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2015-2016

Item	Total south		\$20,000 to \$29,999		\$30,000 to \$39,999		\$40,000 to \$49,999		Total midwest		\$20,000 to \$29,999		\$30,000 to \$39,999		\$40,000 to \$49,999		Total northeast		\$20,000 to \$29,999		\$30,000 to \$39,999		\$40,000 to \$49,999		Total west		\$20,000 to \$29,999		\$30,000 to \$39,999		\$40,000 to \$49,999	
	49,467	6,149	5,297	4,512	27,708	3,077	2,748	2,420	23,492	2,407	2,084	1,745	28,326	3,012	2,804	2,337																
Number of consumer units (in thousands)																																
Consumer unit characteristics:																																
Income before taxes	\$64,783	\$24,960	\$34,733	\$44,494	\$68,594	\$24,775	\$34,756	\$44,600	\$79,079	\$24,812	\$34,728	\$44,740	\$82,775	\$25,086	\$34,671	\$44,597																
Wages and salaries	50,506	11,927	21,565	33,048	53,942	11,936	18,935	30,279	62,002	10,352	19,377	29,216	62,029	13,225	20,344	31,315																
Self-employment income	4,204	501	851	1,341	3,831	536	1,129	2,054	4,678	735	1,102	1,063	9,263	805	1,683	2,256																
Social Security, private and government retirement income	7,671	10,998	10,590	8,579	7,937	10,097	12,579	10,258	8,880	11,333	11,938	11,471	7,457	8,937	10,508	8,789																
Interest, dividends, rental income, other property income	1,289	290	434	641	1,625	457	541	892	1,901	316	505	1,144	2,526	299	801	643																
Public assistance, Supplemental Security Income, Supplementary Nutrition Assistance Program (SNAP)	473	718	496	302	512	914	638	469	680	1,295	1,015	587	582	972	753	758																
Unemployment and workers' compensation, veterans' benefits, and regular contributions for support	364	260	385	369	429	465	669	467	529	345	571	1,144	502	346	316	630																
Other income	277	265	412	215	317	370	264	179	410	437	c/219	c/116	415	502	266	207																
Average annual expenditures																																
Food at home	\$52,350	\$32,391	\$39,363	\$43,532	\$54,989	\$34,089	\$37,470	\$41,834	\$59,876	\$35,464	\$37,814	\$41,861	\$63,045	\$35,242	\$42,713	\$45,749																
	3,776	3,195	3,240	3,411	4,052	3,079	3,301	3,439	4,031	2,736	3,235	3,003	4,447	3,258	3,571	3,664																

a Value is too small to display.

b Data are likely to have large sampling errors.

c No data reported.

South includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, September, 2017