



Individual & Corporate Income Tax Revenue Impact of Exemptions

Arkansas Tax Reform and Relief Legislative Task Force

April 26, 2018

Arkansas Department of Finance and Administration



Overview of Income Tax Exemption Presentation

- Revenue estimates are prepared by DFA's Office of Income Tax Administration.
- Where actual return data can be used to quantify the exemption, DFA's Office of Income Tax used actual return data.
- Presentation provides the estimated value of various exemptions to the Arkansas income tax and is not an official list of all exemptions.

Overview

- Exemptions are grouped in categories as a guide and do not represent official categories in Arkansas statutes or rules. When appropriate, individually-enacted exemptions may be combined, even if enacted in different years.
- Values of tax exemptions are often difficult to measure and only as good as the data available. Whenever possible, information from Arkansas' tax systems was used. However, the great majority of estimates rely upon external sources including federal statistical data, published industry data, and various other sources, often necessitating assumptions.
- Some values of exemptions could not be calculated or estimated at this time because of limited federal data resources and other data sets on which to evaluate exemption amounts.

Overview

- Some values of exemptions are currently unknown because there is no record of the amount of income that was not taxed provided to the Department.
- The estimated value of an exemption measures the tax collection foregone on that activity in isolation, as it existed in CY2016, and not on how that activity may change if the exemption was repealed. Therefore, it is not necessarily the same as the revenue gain that would occur if the exemption was repealed.
- Each exemption is considered independently and may not take into account overlap between exemptions just as in the Sales and Use Tax Exemption presentation. When an overlap is identified and estimated, the net impact is noted.

Overview

- Estimates are a snapshot of activity for one year.
- Value of exemptions can vary widely from year to year. This is especially true in Corporate Income Tax where the tax revenue itself varies significantly year to year.
- Other exemptions may increase or decrease due to longer term industry trends or demographic trends.

Overview: Differences Between Estimates and DFA Fiscal Impact Statements

- Exemption estimates differ from other DFA Fiscal Impact Statements used in policymaking in that overlapping laws and exemptions have not been considered for these estimates.
- Specific legislative proposals for selected changes in exemptions would require a detailed legal analysis, revenue update, and projection on future budgets.

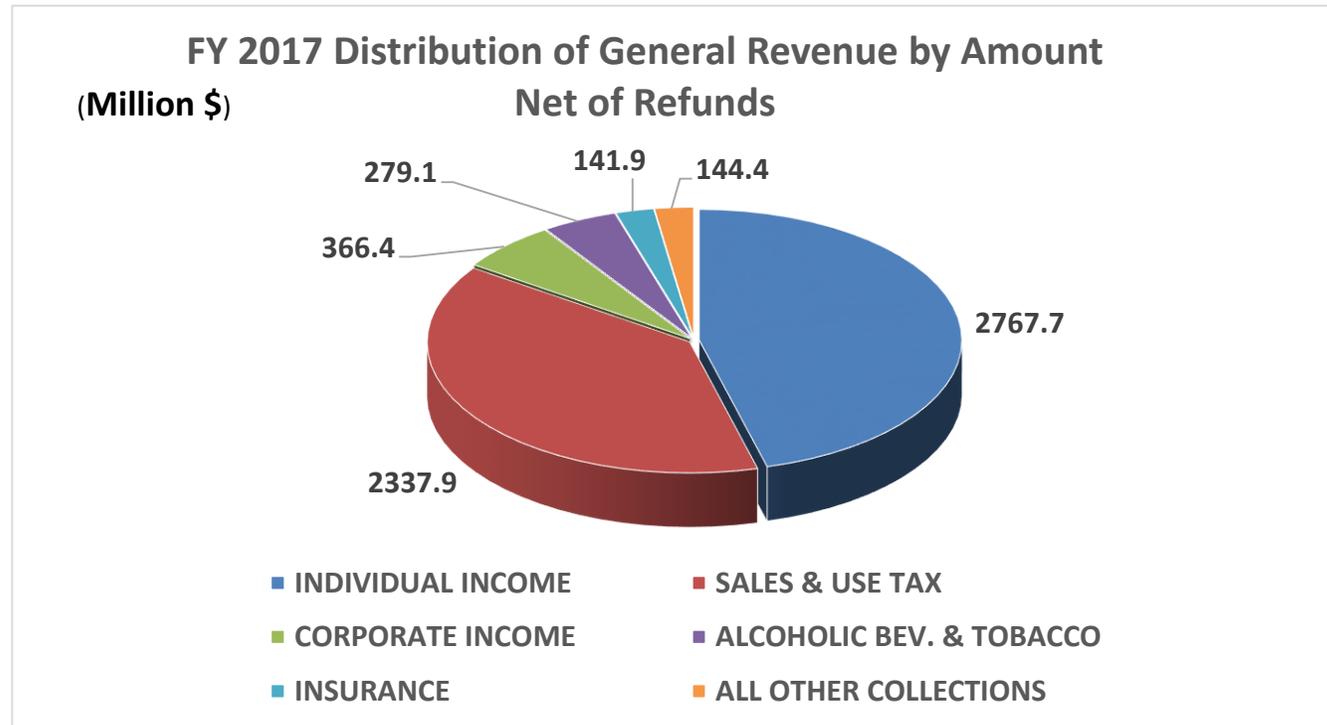
Arkansas Income Tax Overview

Income Tax History

- The income tax was originally levied by the Income Tax Act of 1929 by Act 118 of 1929. The Arkansas Supreme Court upheld Act 118 of 1929 concluding that the entire income of every resident of Arkansas, *regardless of source*, was taxable. *Morgan v. Cook*, 211 Ark. 755, 202 S.W.2d 355 (1947). *See also Stanley v. Gates*, 179 Ark. 886, 19 S.W.2d 1000 (1929).
- The Individual Income Tax levies the tax on the net income of Arkansas residents and non-residents who earn income from an Arkansas source in one of three different tax tables based on the gross income of the taxpayer.
- The current Corporate Income Tax was enacted by Act 129 of 1941 and levies the tax on the net income of a corporation, domestic or foreign, that does business in Arkansas.

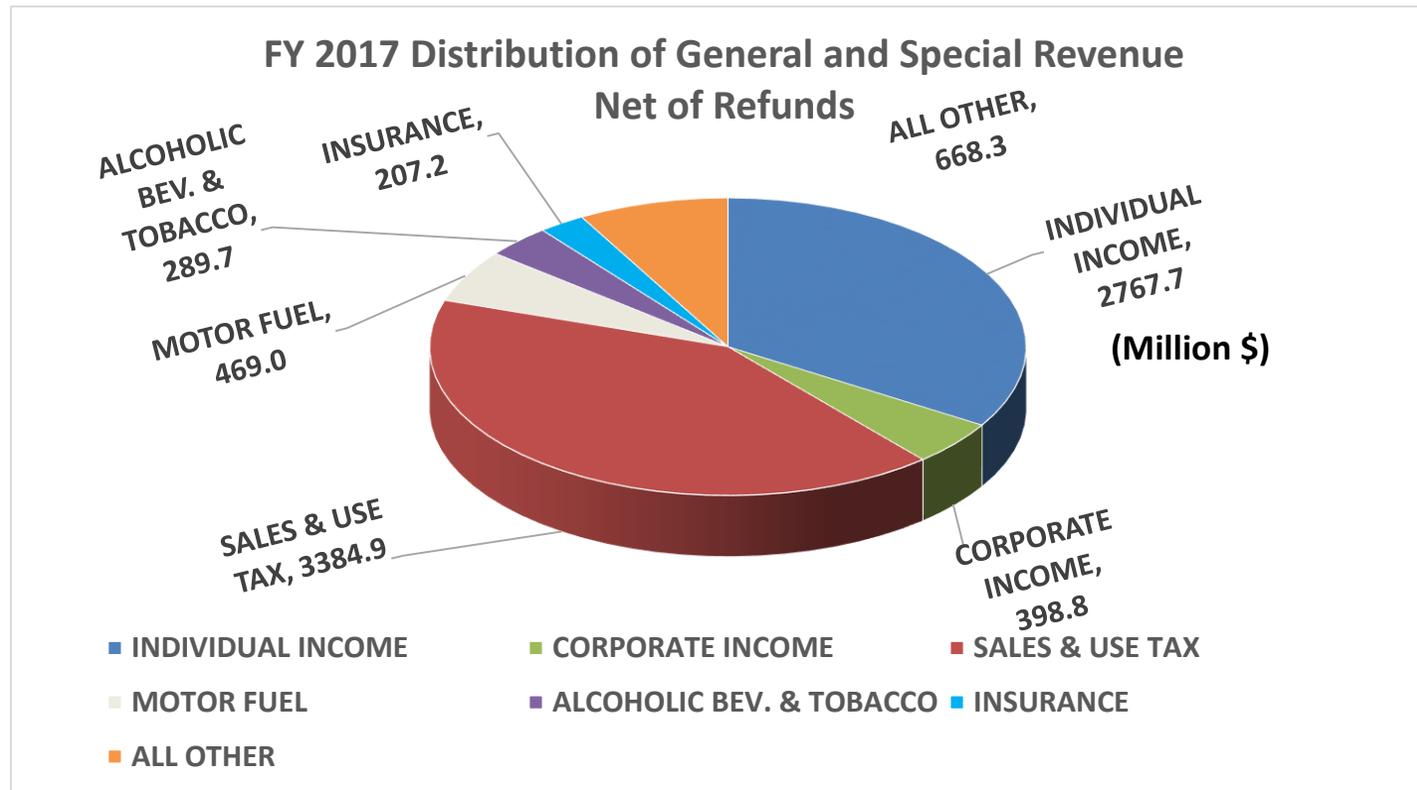
Income Tax Collection - FY2017

- As part of the overall Tax Collections for Fiscal Year, 2017, Income Taxes accounted for 52% of State general revenue.



Income Tax Collections - FY2017

- As part of the overall Tax Collections for Fiscal Year 2017, Income Taxes accounted for 39% of State general and special revenue.



Individual Income Applicability

- Individual Income Tax is levied on the net income of Arkansas residents. Non-residents and part-year residents are subject to the Individual Income Tax if there is income earned from Arkansas sources that is “reasonably allocated to Arkansas”.
- “Net income” is derived from adjusting gross income by any allowed deductions. Ark. Code Ann. § 26-51-403. “[G]ross income” includes “[g]ains, profits, and income derived from salaries, wages, or compensation for personal service of whatever kind and in whatever form paid[.]” Ark. Code Ann. § 26-51-404(a)(1).
- Nonresident income is allocated to Arkansas pursuant to the calculations required in Ark. Code Ann. § 26-51-435.
- Arkansas Individual Income Tax has three separate tax tables that have a different set of brackets depending on the taxpayer’s net income and are annually adjusted for inflation.

Individual Income Tax Brackets

- For individuals with net income of \$21,699 or less



From	Less Than or Equal To	Rate
\$0	\$4,299	0.9%
\$4,300	\$8,399	2.4%
\$8,400	\$12,599	3.4%
\$12,600	\$21,699	4.4%

Individual Income Tax Brackets

- Total Taxpayers and Tax Paid based on CY2016 Returns

Under \$21,000			
Income Bracket	Tax Rate	Current Revenue	Number of Taxpayers Affected
\$0 - \$4,299	0.9%	\$21,258,786	631,478
\$4,300 - \$8,399	2.4%	\$43,234,666	516,335
\$8,400 - \$12,599	3.4%	\$46,138,303	400,413
\$12,600 - \$20,999	4.4%	\$46,938,433	272,108
Sub Total		\$157,570,189	

A taxpayer having a net taxable income of \$20,998 would be affected and counted in each range of the Under \$21,000 income bracket.

5.22% of Individual Income Taxes

Individual Income Tax Brackets

- For individuals with net income of \$21,699 or less for tax years beginning on or after January 1, 2019



From	Less Than or Equal To	Rate
\$0	\$4,299	0.0%
\$4,300	\$8,399	2%
\$8,400	\$12,599	3%
\$12,600	\$21,699	3.4%

Individual Income Tax Brackets

- For taxpayers with net income between \$21,700 and \$77,399

From	Less Than or Equal To	Rate
\$0	\$4,299	0.9%
\$4,300	\$8,399	2.5%
\$8,400	\$12,599	3.5%
\$12,600	\$20,999	4.5%
\$21,000	\$35,099	5%
\$35,100	\$77,399	6%

Individual Income Tax Brackets

- Total Taxpayers and Tax Paid based on CY2016 Returns

<u>\$21,000 to \$75,000</u>				
Income Bracket	Tax Rate	Current Revenue	Number of Taxpayers Affected	
\$0 - \$4,299	0.9%	\$25,560,313	698,941	This count includes all taxpayers between the net income ranges of \$21,000 and \$75,000.
\$4,300 - \$8,399	2.5%	\$67,720,292	698,941	
\$8,400 - \$12,599	3.5%	\$97,119,939	698,941	
\$12,600 - \$20,999	4.5%	\$249,761,531	698,941	
\$21,000 - \$35,099	5.0%	\$342,522,986	698,941	
\$35,100 - \$75,000	6.0%	\$324,027,388	362,720	These taxpayers are isolated to net income of \$35,100 to \$75,000.
Sub Total		\$1,106,712,449		36.65% of Individual Income Taxes

Individual Income Tax Brackets

- For Taxpayers with net income of \$77,400 and over
- There is an adjustment for individuals just over \$77,399 to reduce the “cliff” between the middle and upper tax tables

From	Less Than or Equal To	Rate
\$0	\$4,299	0.9%
\$4,300	\$8,399	2.5%
\$8,400	\$12,599	3.5%
\$12,600	\$20,999	4.5%
\$21,000	\$35,099	6%
\$35,100 and above		6.9%

Individual Income Tax Brackets

- Total Taxpayers and Tax Paid based on CY2016 Returns

Above \$75,000			
Income Bracket	Tax Rate	Current Revenue	Number of Taxpayers Affected
\$0 - \$4,299	0.9%	\$5,294,530	169,482
\$4,300 - \$8,399	2.5%	\$14,027,492	169,482
\$8,400 - \$12,599	3.5%	\$20,117,297	169,482
\$12,600 - \$20,999	4.5%	\$51,735,275	169,482
\$21,000 - \$35,099	6.0%	\$115,792,515	169,482
\$35,100 and over	6.9%	\$1,548,834,732	169,482
Sub Total	58.14%	\$1,755,801,847	

The count of taxpayers in this range are all the same because this bracket is only for those taxpayers with net taxable income greater than \$75,000. All ranges in this bracket are affected by a taxpayer net taxable income of greater than \$75,000.

58.14% of Individual Income Taxes

Corporate Income Tax Applicability

- Corporate Income Tax is levied on the net income of a corporation doing business in Arkansas.
- “Net income” is derived from adjusting gross income by any allowed deductions. Ark. Code Ann. § 26-51-403. “[G]ross income” includes “[g]ains, profits, and income derived from salaries, wages, or compensation for personal service of whatever kind and in whatever form paid[.]” Ark. Code Ann. § 26-51-404(a)(1).
- Corporations with income from activities both within and without Arkansas apportion their income pursuant to Ark. Code Ann. §§ 26-51-701 through -723.
- This apportionment is a “three factor” apportionment based on sales, payroll, and property factors of the entire corporation compared to Arkansas.

Corporate Income Tax Applicability

- There is one tax table for the levy of corporate income tax

From	Less Than or Equal To	Rate
\$0	\$3,000	1%
\$3,001	\$6,000	2%
\$6,001	\$11,000	3%
\$11,001	\$25,000	5%
\$25,001	\$100,000	6%
\$100,000 and above		6.5%

Arkansas Individual Income Tax Section

Revenue Impact of Exempted Income, Deductions from Income,
Exclusions from Income, and Individual Tax Credits

Individual Income Tax - Exempted Income

- AR Capital Development Company – income of a capital development company.
Ark. Code Ann. § 15-4-1025
Unable to determine revenue impact
- Achieving a Better Life Experience Program (ABLE) – interest, dividends, and capital gains from funds invested in the ABLE Program and qualified distributions.
Ark. Code Ann. § 20-3-111
2016 Estimated Impact of less than \$1M
- Military Income – pay or allowances received by an active duty member of the armed services and combat zone compensation.
Ark. Code Ann. § 26-51-306
\$8.3M CY2016

Individual Income Tax - Exempted Income

- Retirement Income – the first \$6,000 of qualified retirement income is exempt.
Ark. Code Ann. § 26-51-307
\$224.8M CY2016
- Capital Gain Income – 100% of gains over \$10M. Less than \$10M, then 50% of gains from 1-1-15 to 1-31-15, 45% from 2-1-15 to 6-31-16, and 50% on and after 7-1-16.
Ark. Code Ann. § 26-51-815(b)(2, 3)
\$53.7M Total Impact CY2016
- Electronic Games of Skill – gambling winnings received from electronic games of skill are not included as income and taxed at a flat 3% rate that is remitted to DFA.
Ark. Code Ann. § 26-51-1310(f)(1)
No revenue lost.

Individual Income Tax – Deductions from Income

- Border city exemption. (Texarkana)
Ark. Code Ann. § 26-51-403(b)(14)
\$20.3M CY2016*

*Partially offset by 1.0% special sales tax - \$4.5M in collections CY2016

- Contributions to a long-term intergenerational trust.
Ark. Code Ann. § 26-51-403(b)(16)
\$6K CY2016

- Individuals With Disabilities – for the care of individuals with disabilities.
Ark. Code Ann. § 26-51-418
\$380K CY2016

Individual Income Tax – Deductions from Income

- Standard Deduction –\$2,200 per taxpayer beginning in tax year 2015.
Ark. Code Ann. § 26-51-430
\$56.7M CY2016
- Volunteer Firefighter – amounts paid by volunteer firefighters and not reimbursed by the fire department to purchase firefighting equipment up to \$1,000 a year.
Ark. Code Ann. § 26-51-458
\$16K CY2016
- Organ Donor Deduction – up to \$10,000 for living human organ donation.
Ark. Code Ann. § 26-51-2103
\$5K CY2016

Individual Income Tax – Exclusions from Income

- Gifts – value of property acquired by gift, bequest, devise, or descent.
Ark. Code Ann. § 26-51-404(b)(4)
Unable to determine revenue impact
- Workers' Comp, Social Security, Railroad Retirement, and Unemployment.
Ark. Code Ann. § 26-51-404(b)(6)
\$430M Estimate based on current Federal information
- Parsonage Allowance – rental value of parsonages.
Ark. Code Ann. § 26-51-404(b)(9)
Unable to determine revenue impact

Individual Income Tax – Exclusions from Income

- Long-Term Intergenerational Trust – interest, dividends, and capital gains recognized on a long-term intergenerational trust.
Ark. Code Ann. § 26-51-404(b)(21)
Unable to determine revenue impact
- Individual Development Account – interest and dividends earned on an individual development account and matching funds deposited.
Ark. Code Ann. § 26-51-404(b)(22)
Unable to determine revenue impact

Individual Income Tax – Tax Credits

- Phenylketonuria and Other Metabolic Disorders – allows a credit up to \$2,400 per year, per child for expenses on the purchases of medically necessary foods and low protein modified food products.
Ark. Code Ann. § 23-79-702
\$74K CY2016
- Personal Tax Credits – allows for \$26 credit for each taxpayer, dependent, over 65, 65 special, blind, deaf, head of household/qualifying widower. The 65 special may be claimed by any taxpayer 65 or older that is not claiming a retirement exclusion.
Ark. Code Ann. § 26-51-501
\$76M CY2016
- Individuals with Developmental Disabilities – allows a \$500 credit for taxpayers with dependents that have developmental disabilities.
Ark. Code Ann. § 26-51-503
\$4.3M CY2016

Individual Income Tax – Tax Credits

- Other State Tax Credit – allows a credit to Arkansas residents for income taxes paid to another state on income taxed by both states.
Ark. Code Ann. § 26-51-504
\$56.3M CY2016
- Political Contributions – allows up to \$50 for contributions made to an Arkansas political candidate, party or action committee.
Passed by Arkansas voters on 11/05/1996
\$759K CY2016
- Low Income Tax Credit – allows qualifying taxpayers to use the Low Income Tax Table to determine the tax liability.
Ark. Code Ann. § 26-51-301(f)
Unable to determine revenue impact

Arkansas Corporate Income Tax Section

Revenue Impact of Exempted Income, Deductions from Income, and
Exclusions from Income

Corporate Income Tax - Exempted Income

- Insurance Companies – domestic Life and Disability Insurance Companies and Foreign Insurance Companies.
Ark. Code Ann. § 26-51-303(a)(2)
Unable to determine revenue impact
***Pays the Insurance Premium tax.**
- Farmers or other Mutual Hail, Cyclone, And Fire Insurance Companies – certain insurance companies if 85% or more of the income consists of assessments, dues, and fees collected from members for the purpose of meeting losses and expenses.
Ark. Code Ann. § 26-51-303(a)(6)
Unable to determine revenue impact
***Pays the Insurance Premium tax.**
- Churches – income from interest on the savings and investments from dedicated funds, from the sale of dedicated church property, and from rental of dedicated church property.
Ark. Code Ann. § 26-51-206
Unable to determine revenue impact

Corporate Income Tax - Exempted Income

- Fraternal Benefit Societies, Orders, or Associations – Organizations and Fraternities Operating Under the Lodge System.
Ark. Code Ann. § 26-51-303(a)(1)
Unable to determine revenue impact
- Cemetery Corporations - cemeteries pay no income tax.
Ark. Code Ann. § 26-51-303(a)(3)
Unable to determine revenue impact
- Business Leagues, Chambers of Commerce, Boards of Trade Not Organized for Profit – nonprofit business leagues, chambers of commerce, and boards of trade.
Ark. Code Ann. § 26-51-303(a)(4)
Unable to determine revenue impact
- Civic leagues – nonprofit Civic leagues or organizations operated for the promotion of social welfare.
Ark. Code Ann. § 26-501-303(a)(5)
Unable to determine revenue impact

Corporate Income Tax - Exempted Income

- Ditch or Irrigation Companies – mutual ditch or irrigation companies if 85% or more of the income consists of assessments, dues, and fees collected from members for the purpose of meeting losses and expenses.
Ark. Code Ann. § 26-51-303(a)(6)
Unable to determine revenue impact
- Mutual or Cooperative Telephone Companies – mutual or cooperative telephone companies if 85% or more of the income consists of assessments, dues, and fees collected from members for the purpose of meeting losses and expenses.
Ark. Code Ann. § 26-51-303(a)(6)
Unable to determine revenue impact
- Farmers', Fruit Growers', And Like Organizations – farmers and fruit growers organizations organized and operated as sales agents for the purpose of marketing the products of members and returning to the members the proceeds of sales on the basis of the quantity of produce furnished by the member.
Ark. Code Ann. § 26-51-303(a)(7)
Unable to determine revenue impact

Corporate Income Tax - Exempted Income

- Labor, agricultural, or horticultural organizations.
Ark. Code Ann. § 26-51-303(a)(8)
Unable to determine revenue impact
- Corporations, trusts, community chest, fund or foundation – corporations, trusts, community chest, fund, or foundations organized and operated for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.
Ark. Code Ann. § 26-51-303(a)(9)
Unable to determine revenue impact
- Political organizations.
Ark. Code Ann. § 26-51-303(a)(10)
Unable to determine revenue impact
- Nonprofit Investment Income – investment income of a nonprofit organization.
Ark. Code Ann. § 26-51-304
Unable to determine revenue impact

Corporate Income Tax - Exempted Income

- Windmill Blade Manufacturer – exempts a qualified windmill blade manufacturer.
Ark. Code Ann. § 26-51-311
Unable to disclose revenue impact
- Windmill Blade and Windmill Components – limited exemptions for qualified windmill blade and windmill component manufacturers.
Ark. Code Ann. § 26-51-312
Unable to disclose revenue impact
- Biofuels – qualified drop-in biofuels manufacturers.
Ark. Code Ann. § 26-51-313
Unable to determine revenue impact
- Dividends – received from a subsidiary at least 80% owned.
Ark. Code Ann. § 26-51-404(b)(8)
Unable to determine revenue impact

Corporate Income Tax – Deductions from Income

- Net Operating Losses – Steel Manufacturers – carryover up to 10 years.
Ark. Code Ann. § 15-4-2404
\$0 CY2016
- Reserve for bad debts – bad debt expense by banks and savings & loans.
Ark. Code Ann. § 26-51-426
Unable to determine revenue impact
- Steel Mill Incentive – invest at least \$120 million in a steel mill in Arkansas.
Ark. Code Ann. § 26-51-1203
Unable to determine revenue impact

Corporate Income Tax – Exclusions from Income

- Church Passive Investment – income from rentals or gains on sales of dedicated property held only as a passive investment by a church.
Ark. Code Ann. § 26-51-206(b)
Unable to determine revenue impact

Arkansas Individual and Corporate Income Tax Section

Revenue Impact of Exempted Income and Deductions from Income

Individual and Corporate Income Tax – Exempted Income

- Arkansas Amendment 82 – bonds issued and interest on bonds exempt for Amendment 82 projects.
Ark. Code Ann. § 15-4-3216
Unable to determine revenue impact
- Venture Capital Investment – 100% of net capital gain from a venture capital investment.
Ark. Code Ann. § 26-51-815(d)
Unable to determine revenue impact
- Small business stock capital gains – incentive to invest in small business stock.
Ark. Code Ann. § 26-51-1801
Unable to determine revenue impact
- Small Business Growth Act of 1985 – bonds issued and interest on the bonds.
Ark. Code Ann. § 15-4-413
Corporate – Less than \$1M, Individual – Less than \$1M CY2016

Individual and Corporate Income Tax – Exempted Income

- Industrial Development Corp – interest on bonds or other obligations under the act.
Ark. Code Ann. § 15-4-524
Corporate – Less than \$1M, Individual – Less than \$1M CY2016
- AR Development Finance Corp – interest on bonds or other obligations under the act.
Ark. Code Ann. § 15-4-925
Corporate – Less than \$1M, Individual – Less than \$1M CY2016
- Agricultural Disaster Programs Payments.
Ark. Code Ann. § 26-51-314
Corporate – Less than \$1M, Individual – Less than \$1M CY2016

Individual and Corporate Income Tax – Deductions from Income

- Trade and business deductions including gambling losses.
Ark. Code Ann. § 26-51-403(b)(1)
Unable to determine revenue impact
- Certain deductions of life tenants and income beneficiaries of property.
Ark. Code Ann. § 26-51-403(b)(6)
Unable to determine revenue impact
- Related Party Expenses – interest and intangible-related expenses paid to related party.
Ark. Code Ann. § 26-51-423(g)(1)
Unable to determine revenue impact
- Capitalized Costs – inclusion in inventory costs of certain expenses.
Ark. Code Ann. § 26-51-439(a)
Unable to determine revenue impact

Individual and Corporate Income Tax – Deductions from Income

- Start-Up Costs – capitalization and amortization of corporate start-up costs.
Ark. Code Ann. § 26-51-439(b)
Unable to determine revenue impact
- Organizational expenses – capitalization and amortization of corporation organization expenses.
Ark. Code Ann. § 26-51-439(c)
Unable to determine revenue impact
- Dividend Paid – by qualified "non-captive" real estate investment trusts.
Ark. Code Ann. § 26-51-440
Unable to determine revenue impact
- Small Business Guaranty Fees – amounts paid to the U.S. Small Business Administration as a guaranty fee.
Ark. Code Ann. § 26-51-450
Unable to determine revenue impact
- Small Business Stock Capital Gains – sale of qualified small business stock.
Ark. Code Ann. § 26-51-1801
Unable to determine revenue impact

Federal Tax Provisions Available to Arkansas Taxpayers

Revenue Impact of Exempted Income, Deductions from Income,
Exclusions from Income, and Individual Tax Credits

Federal Tax Provisions – Exempted Income

- Military Spouse Residency Relief Act, Public Law 111-97 – income of a military member's spouse.
Individual Only – Unable to determine revenue impact
- Trusts – certain trusts forming part of qualified deferred compensation plans of employers for benefit of employees as described in IRC § 401(a).
Ark. Code Ann. § 26-51-308
Individual Only – Unable to determine revenue impact
- Foreign Income Exclusion – certain amounts of foreign earned income and housing costs.
Ark. Code Ann. § 26-51-310
Individual Only – Unable to determine revenue impact
- Child Support – pursuant to IRC § 71.
Ark. Code Ann. § 26-51-417(a)
Individual Only – Unable to determine revenue impact

Federal Tax Provisions – Exempted Income

- Coverdell Education Savings Account – pursuant to IRC § 530.
Ark. Code Ann. § 26-51-448(a)
Individual Only – Unable to determine revenue impact
- Interest – exempts Interest on U.S., State of Arkansas or local obligations.
Ark. Code Ann. § 26-51-404(b)(5)
Individual Only – Unable to determine revenue impact
- Disaster Response – out-of-state businesses and employees from certain taxes and regulations during a disaster period.
Ark. Code Ann. § 12-88-101 to 109.
Corporate – Less than \$1M, Individual – Less than \$1M CY2016

Federal Tax Provisions – Deductions from Income

- Miscellaneous Itemized Deductions.
Ark. Code Ann. § 26-51-437
Corporate - Unable to determine revenue impact, Individual – \$26M CY2016
- Tuition – paid to post-secondary educational institutions.
Ark. Code Ann. § 26-51-447
Corporate - Unable to determine revenue impact, Individual – \$4.1M CY2016
- Trade and business deductions of employee.
Ark. Code Ann. § 26-51-403(b)(2)
Corporate and Individual – Unable to determine revenue impact
- Employee expenses reimbursed by employer.
Ark. Code Ann. § 26-51-403(b)(3)
Corporate and Individual – Unable to determine revenue impact

Federal Tax Provisions – Deductions from Income

- Loss from the sale or exchange of property deduction.
Ark. Code Ann. § 26-51-403(b)(4)
Corporate and Individual – Unable to determine revenue impact
- Property held for the production of rents and royalties.
Ark. Code Ann. § 26-51-403(b)(5)
Corporate and Individual – Unable to determine revenue impact
- Certain portions of lump-sum distributions from pension plans.
Ark. Code Ann. § 26-51-403(b)(7)
Corporate and Individual – Unable to determine revenue impact
- Deferred Compensation Plans – pursuant to IRC §§ 72, 219, 401, 402-404, 406-416, 457 for annuities, retirement savings, and employee benefits.
Ark. Code Ann. § 26-51-414(a)(1)
Corporate and Individual – Unable to determine revenue impact

Federal Tax Provisions – Deductions from Income

- Travel Expenses – business travel expenses.
Ark. Code Ann. § 26-51-423(a)(3)
Corporate and Individual – Unable to determine revenue impact
- Entertainment Expenses – business entertainment, amusement, recreation, meals, travel, etc. pursuant to IRC § 274.
Ark. Code Ann. § 26-51-423(b)
Corporate and Individual – Unable to determine revenue impact
- Environmental Expenses – cleanup of certain hazardous substances pursuant to IRC § 198.
Ark. Code Ann. § 26-51-423(e)
Corporate and Individual – Unable to determine revenue impact
- Handicap and Elderly Expenses – to improve access to vehicles and facilities for handicapped and elderly persons pursuant to IRC § 190.
Ark. Code Ann. § 26-51-423(f)
Corporate and Individual – Unable to determine revenue impact

Federal Tax Provisions – Deductions from Income

- Reforestation Expenses – amortization of qualified reforestation expenses pursuant to IRC § 194.
Ark. Code Ann. § 26-51-423(h)
Corporate - Unable to determine revenue impact, Individual – \$21K CY2016
- Soil and Water Conservation – pursuant to IRC § 175.
Ark. Code Ann. § 26-51-444
Corporate and Individual – Unable to determine revenue impact
- Alimony and Separate maintenance payments pursuant to IRC § 215.
Ark. Code Ann. § 26-51-403(b)(9) and (10) and 26-51-417(b)
Individual Only - \$2.2M CY2016
- Contributions by self-employed persons to pension, profit-sharing, and annuity plans.
Ark. Code Ann. § 26-51-403(b)(13)
Individual Only - \$3.2M CY2016

Federal Tax Provisions – Deductions from Income

- Health insurance costs of self-employed persons.
Ark. Code Ann. § 26-51-403(b)(15)
Individual Only - \$8.9M CY2016
- Contributions to the Arkansas Tax-Deferred Tuition Savings Program.
Ark. Code Ann. § 26-51-403(b)(17)
Individual Only - \$1.1M CY2016
- Medical and Dental Expenses – pursuant to IRC § 213.
Ark. Code Ann. § 26-51-423(a)(2)
Individual Only - \$31.8M CY2016
- Moving Expenses – pursuant to IRC § 217.
Ark. Code Ann. § 26-51-423(a)(4)
Individual Only - \$410K CY2016

Federal Tax Provisions – Deductions from Income

- Self-Employed Insurance – pursuant to IRC § 162.
Ark. Code Ann. § 26-51-423(c)(1)
Individual Only - \$8.9M CY2016
- Student Loan Interest – pursuant to IRC § 221.
Ark. Code Ann. § 26-51-423(d)
Individual Only - \$4.3M CY2016
- Interest forfeited on a premature withdrawal from time savings account or deposit.
Ark. Code Ann. § 26-51-403(b)(11)
Corporate – less than \$1M, Individual – \$35K CY2016
- Payments to an IRA.
Ark. Code Ann. § 26-51-403(b)(12)
Corporate – less than \$1M, Individual – \$4.2M CY2016

Federal Tax Provisions – Deductions from Income

- Interest Expense - pursuant to IRC § 163.
Ark. Code Ann. § 26-51-415
Corporate – \$262.7M, Individual - Unable to determine revenue impact CY2016
- Taxes.
Ark. Code Ann. § 26-51-416
Corporate – \$215.6M, Individual - Unable to determine revenue impact CY2016
- Charitable Contributions – pursuant to IRC § 170.
Ark. Code Ann. § 26-51-419 and 420
Corporate – \$6.4M, Individual – \$80.1M CY2016
- Artistic, Literary, and Musical Donations – fair market value of donated artistic, literary, and musical creations to museums, art galleries, or nonprofit organizations.
Ark. Code Ann. § 26-51-422
Corporate – less than \$1M, Individual – \$13K CY2016

Federal Tax Provisions – Deductions from Income

- Business Expenses – for trade or business expenses pursuant to IRC § 162.
Ark. Code Ann. § 26-51-423(a)(1)
Corporate – \$8,698.8M, Individual - Unable to determine revenue impact CY2016
- Losses – any loss incurred not compensated for by insurance. (Miscellaneous, casualty and theft, and hobby losses).
Ark. Code Ann. § 26-51-424
Corporate – \$19M, Individual – \$11.3M CY2016
- Worthless Debts.
Ark. Code Ann. § 26-51-425
Corporate – \$224.9M, Individual - Unable to determine revenue impact CY2016
- Net Operating Loss – carryover for 5 years.
Ark. Code Ann. § 26-51-427
Corporate – \$66.6M, Individual - Unable to determine revenue impact CY2016

Federal Tax Provisions – Deductions from Income

- Depreciation – depreciation and the expensing of property pursuant to IRC § § 167,168(a)-(j), 179, and 179A.
Ark. Code Ann. § 26-51-428(a)
Corporate – \$275.4M, Individual - Unable to determine revenue impact CY2016
- Amortization of Goodwill – goodwill and other intangibles pursuant to IRC § 197.
Ark. Code Ann. § 26-51-428(c)
Corporate – \$26M, Individual - Unable to determine revenue impact CY2016
- Depletion – for natural resources, oil, and gas wells pursuant to IRC § § 611-613, 614, 616, and 617.
Ark. Code Ann. § 26-51-429
Corporate – \$10M, Individual - Unable to determine revenue impact CY2016
- Health Savings Account – for amounts deposited to HSAs pursuant to IRC § 223(a)-(d), (e)(2), (f), and (g).
Ark. Code Ann. § 26-51-453
Corporate - Unable to determine revenue impact, Individual – \$1.5M CY2016
- Claim of Right – for a substantial amount held under a claim of right pursuant to IRC § 1341(a)(1)-(3) and (b)(2).
Ark. Code Ann. § 26-51-457
Corporate – Less than \$1M, Individual – Less than \$1M CY2016

Federal Tax Provisions – Exclusions from Income

- Scholarships, Fellowships, and Grants – pursuant to IRC § 117.
Ark. Code Ann. § 26-51-404(a)(4)
Individual – Unable to determine revenue impact
- Gain resulting from involuntary conversion of a taxpayer's property – pursuant to IRC § 1033.
Ark. Code Ann. § 26-51-404(b)(1)
Individual – Unable to determine revenue impact
- Gain on sale of principal residence – pursuant to IRC § 121.
Ark. Code Ann. § 26-51-404(b)(2)
Individual – Unable to determine revenue impact
- Certain Death Benefits – proceeds or benefits paid upon the illness or death of the insured person pursuant to IRC § 101.
Ark. Code Ann. § 26-51-404(b)(3)
Individual – Unable to determine revenue impact

Federal Tax Provisions – Exclusions from Income

- Discharge of Indebtedness – pursuant to IRC § § 108 and 1017.
Ark. Code Ann. § 26-51-404(b)(10)
Individual – Unable to determine revenue impact
- Cafeteria Plan – payments received under a cafeteria plan pursuant to IRC § 125.
Ark. Code Ann. § 26-51-404(b)(11)
Individual – Unable to determine revenue impact
- Dependent Care Assistance – pursuant to IRC § 129.
Ark. Code Ann. § 26-51-404(b)(12)
Individual – Unable to determine revenue impact
- Group Term Life Insurance – pursuant to IRC § 79.
Ark. Code Ann. § 26-51-404(b)(13)
Individual – Unable to determine revenue impact

Federal Tax Provisions – Exclusions from Income

- Disability and Health Plan – pursuant to IRC § § 1, 104, 105, and 106.
Ark. Code Ann. § 26-51-404(b)(14)
Individual – Unable to determine revenue impact
- Moving Expenses – pursuant to IRC § 82.
Ark. Code Ann. § 26-51-404(b)(15)
Individual – Unable to determine revenue impact
- Meals and Lodging – pursuant to IRC § 119.
Ark. Code Ann. § 26-51-404(b)(16)
Individual – Unable to determine revenue impact
- Cost-Sharing Payments – certain cost-sharing payments pursuant to IRC § 126 primarily for the purpose of conserving soil, water or restoring environment, forests, and protecting wildlife habitats.
Ark. Code Ann. § 26-51-404(b)(17)
Individual – Unable to determine revenue impact

Federal Tax Provisions – Exclusions from Income

- Foster Care – pursuant to IRC § 131.
Ark. Code Ann. § 26-51-404(b)(18)
Individual – Unable to determine revenue impact
- Fringe Benefits – pursuant to IRC § 132.
Ark. Code Ann. § 26-51-404(b)(19)
Individual – Unable to determine revenue impact
- Education Expenses – paid by an employer pursuant to IRC § 127.
Ark. Code Ann. § 26-51-404(b)(20)
Individual – Unable to determine revenue impact
- Medicare Plus Choice MSAs – pursuant to IRC § 138.
Ark. Code Ann. § 26-51-404(b)(23)
Individual – Unable to determine revenue impact

Federal Tax Provisions – Exclusions from Income

- Life Insurance, Endowment, and Annuity Contracts – certain proceeds received under life insurance, endowment, and annuity contracts pursuant to IRC § 72.
Ark. Code Ann. § 26-51-404(b)(24)
Individual – Unable to determine revenue impact
- Employer's Adoption Assistance Program – benefits received pursuant to IRC § 137.
Ark. Code Ann. § 26-51-404(b)(25)
Individual – Unable to determine revenue impact
- Health Savings Account - contributions by an employer to an employee's HSA.
Ark. Code Ann. § 26-51-404(b)(26)
Individual – Unable to determine revenue impact

Federal Tax Provisions – Exclusions from Income

- Military Benefits – qualified military benefits pursuant to IRC § 134.
Ark. Code Ann. § 26-51-404(b)(27)
Individual – Unable to determine revenue impact
- IRA Charitable Distributions – for charitable purposes pursuant to IRC § 408(d)(8).
Ark. Code Ann. § 26-51-404(b)(28)
Individual – Less than \$1M CY2016
- Small Business Stock – gain from certain small business stock pursuant to IRC § 1202.
Ark. Code Ann. § 26-51-815(c)
Individual – Unable to determine revenue impact

Federal Tax Provisions – Individual Tax Credits

- Adoption Expenses – allows up to 20% of the federal tax credit allowed pursuant to § IRC 23 and 36C.
Ark. Code Ann. § 26-51-445
Individual Only - \$975K CY2016
- Child Care – allows up to 20% of the federal tax credit allowed pursuant to § IRC 21
Ark. Code Ann. § 26-51-502(a) and (b).
Individual Only - \$6M CY2016
- Early Childhood Program – allows a refundable credit up to 20% of the federal tax credit allowed for an approved early childhood facility pursuant to § IRC 21
Ark. Code Ann. § 26-51-502(c).
Individual Only - \$85K CY2016