

**SUMMARY OF PROPOSAL #29**  
*for consideration by the*  
**ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**

**TOPIC: To Repeal the Political Contributions Income Tax Credit**

**Summary of Proposal for Consideration**

To repeal the political contributions income tax credit under Arkansas Code § 7-6-222, effective for tax years beginning January 1, 2019.

**Fiscal Analysis**

Repeal of the political contributions income tax credit may result in a \$759,000 per year increase to general revenue based on figures from FY16, as provided by the Department of Finance and Administration's "Individual & Corporate Income Tax Revenue Impact of Exemptions" presentation to the Arkansas Tax Reform and Relief Legislative Task Force on April 26, 2018.

**Legal Analysis**

***Background***

Initiated Measure 1 of 1996 allows a tax credit not to exceed fifty dollars (\$50.00) on an individual tax return, or the aggregate contributions not to exceed one hundred dollars (\$100) on a joint return, for a contribution to a candidate seeking nomination or election to a public office at an election or to the candidate's campaign committee, an approved political action committee, or an organized political party.

ACT 221 of 2007 repealed a provision allowing for a tax credit for political contributions to a small donor campaign.

These provisions have not been amended since.

***Potential Legal Issues***

Under Arkansas Constitution, Article 5, Section 1, the General Assembly may not repeal or amend a successful initiative or referendum, except with a two-thirds (2/3) vote of each house. Because this tax credit was established by an initiated measure, repealing the tax credit would require a two-thirds (2/3) vote.

***Other States***

- Iowa: Does not have a political contributions deduction or tax credit.
- Louisiana: Does not have a political contributions deduction or tax credit.

- Mississippi: Does not have a political contributions deduction or tax credit.
- Missouri: Does not have a political contributions deduction or tax credit.
- Oklahoma: Does not have a political contributions deduction or tax credit.
- Tennessee: Does not have a political contributions deduction or tax credit.
- Texas: Does not have a political contributions deduction or tax credit.