

\$200 Million Tax Cut Package

Choose from the following proposals that have been voted on by the task force for further study to indicate your priority of tax cuts. Write in the amount to dedicate to the proposal categories of your choice. Total amount may not be greater than a \$200 million impact.

Net Operating Loss (NOL)

NOL to 10 years: \$0 until year 8; \$16.7 M → \$64.8 M at year 16

NOL to 20 years: \$0 until year 6; \$16.7 M → \$158 M at year 35

Repeal steel NOL and all to 20 years: \$0 until year 6; \$16.7 M → \$129 M at year 20

Conform to Federal NOL: \$7 M → \$119 M at year 25

Amount to dedicate towards NOL:

Individual Income Top Rate Reduction

5.00% – \$486 M

5.00% and 0% below \$4,299 – \$497 M

5.75% and 0% below \$15,000 – \$974 M

5.90% – \$225 M

6.00% – \$180 M

\$180M

Amount to dedicate towards individual income top rate reduction:

(Note: AEDC concurs in Governor Hutchinson's tax cut prioritization.)

Corporate Income Rate Reduction

\$0-\$50,000 (3.5%); \$50,001+ (5.75%) – \$53 M

5.90% – \$39 M

Amount to dedicate towards corporate income rate reduction:

Earned Income Tax Credit (EITC)

5% of the federal EITC – \$40 M

10% of the federal EITC – \$77.7 M

Amount to dedicate towards EITC:

Standard Deduction

Raise to \$2,500 – \$7.7 M

Replace with an exemption (itemized deductions still allowed) – \$4.6 M

Adopt federal (Tax Cuts and Jobs Act) – \$257.7-333.7 M

(Continued on the next page)

Amount to dedicate towards standard deduction:

Throwback Rule and Apportionment-Single Sales Factor

(these have been paired for a net revenue impact of \$15.7 M)

Throwback rule – \$24.5 M impact

Apportionment – single sales factor – \$8.8 M increase

Amount to dedicate to throwback rule and apportionment:

(Note: AEDC would request that the single sales factor be discretionary to ensure that service-oriented business and smaller businesses do not have a negative impact due to any apportionment change. Also recommend throwback rule be repealed.)

Total amount to dedicate to a tax cut package:

\$200M

(Cannot exceed \$200 million)

Tax Priorities of the Arkansas Economic Development Commission

Primary Priority: Reduce the top individual income tax rate from 6.9 percent to 6 percent, as per Governor Hutchinson's recommendation.

Corporate Income Tax Priorities:

- Further study of the state's corporate income tax apportionment formula to determine the effect of a single sales apportionment factor on different types of business sectors and business sizes.
- Removing Arkansas's utilization of the Throwback Rule in calculating corporate income tax.
- Increasing Net Operating Loss Carry Forward from 5 years to 10 years.
- Reduce the top corporate income tax rate from 6.5% to a rate more consistent with competitor states.
- Study calculating corporate income for service providing companies from Cost of Performance to Market-Based.
- Simplify tax tables and rate structure.

Individual Income Tax Priorities:

- Reduce the top individual income tax rate from 6.9 percent to 6 percent.
- Simplified tax tables and rate structure.

Sales and Use Tax Priorities:

- Reduce the state sales and use tax rate through the elimination of certain sales and use tax exemptions and reductions.

Property Tax Priorities:

- Eliminate, or clarify, inventory tax (likely constitutional issues).
- Permit property tax reductions without bond-financed PILOT agreements (likely constitutional issues)

