

\$200 Million Tax Cut Package

The Arkansas State Chamber of Commerce & Associated Industries of Arkansas submit the following for consideration:

Net Operating Loss (NOL)

Conform to Federal NOL for losses incurred in tax years beginning on or after 1/1/2019.

Note: Correct calculations should show \$0 impact in year 1 (2019) and substantial revenue gain in years 2-6 based on 80% taxable income offset limit.

Amount required for NOL conformity:

\$0 impact year 1
\$+ Positive Revenue
Impact years 2-6
Years 7 → Speculative

Individual Income Top Rate Reduction

6% Top Rate funded ½ (\$90M) from bracket adjustments, ½ (\$90M) from Tax Cut Budget.

Amount to dedicate towards individual income tax top rate reduction: \$90M

Corporate Income Rate Reduction

Mirror Individual Income Tax Top Rate Reduction.

6% Flat Corporate Tax Rate funded 10%(?) from bracket adjustment, 90%(?) from Tax Cut Budget. DFA/BLR to provide estimated savings from flat rate change.

Amount to dedicate towards corporate income tax rate reduction: \$35M

Earned Income Tax Credit (EITC)

No change recommended absent significant individual tax bracket adjustments, flat individual tax rate or changes to grocery tax exemption.

Amount to dedicate towards EITC: \$0M*

*Absent changes noted above.

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Standard Deduction

No change recommended absent significant individual tax bracket adjustments, flat individual tax rate or changes to grocery tax exemption.

Amount to dedicate towards standard deduction: \$0M*

*Absent changes noted above.

Throwback Rule and Apportionment-Single Sales Factor (these have been paired for a net revenue impact of \$15.7M)

Adopt paired changes.

Amount to dedicate to throwback Rule and Apportionment: \$15.7M

Total amount to dedicate to tax cut package (for proposals listed above*): \$140.7M

**Additional Priority Issue: Property Tax on Business Inventories*

ASCC/AIA supports eliminating personal property tax on business inventories due to the significant negative impact of this tax on economic development and job growth in the manufacturing, warehousing and distribution center sectors. The Assessment Coordination Department (ACD) estimates revenue impacts in the range of \$55M for school districts and \$15M for other taxing units. A portion of the tax cut package should be devoted to offsetting and eventually eliminating the personal property tax on business inventories. Various mechanisms are available for doing so in the near term, such as providing a non-refundable tax credit against state taxes due.

Amount to dedicate to eliminating tax on business inventories: \$59.3M

Total amount to dedicate to tax cut package (including inventory tax): \$200M