

MINUTES
TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE
JUNE 20, 2018

The Tax Reform and Relief Legislative Task Force met Wednesday, June 20, 2018, at 9:00 a.m., in Committee Room A-MAC, Little Rock, Arkansas.

Task Force Members Present: Senators Jim Hendren, Chair; Jonathan Dismang, Bart Hester, Keith Ingram, Missy Irvin, Larry Teague, and David Wallace. Representatives Lane Jean, Chair; Frances Cavanaugh, Jim Dotson, Kenneth B. Ferguson, Joe Jett, Bob Johnson, Mathew Pitsch, and Warwick Sabin.

Other Legislators Present: Senators Ronald Caldwell, Jimmy Hickey, Jr., Jason Rapert, and Bill Sample. Representatives Fred Allen, Bob Ballinger, Scott Baltz, Charles Blake, Charlie Collins, Carol Dalby, Trevor Drown, Michael John Gray, Ken Henderson, David Hillman, Steve Hollowell, Fredrick Love, Chris Richey, Laurie Rushing, Johnny Rye, James Sorvillo, and Dan Sullivan.

Representative Jean called the meeting to order.

Consideration to Approve the May 23 and 24, 2018, Minutes [Exhibits C-1, C-2]

Representative Jett made the motion to approve the minutes from the May 23 and 24, 2018, meetings and, with a second by Representative Ferguson, the minutes were adopted without objection.

Comments on Property Tax Proposal Procedure by the Co-Chairs

Senator Hendren explained the process moving forward as task force members work to prioritize their recommendations.

Legal and Fiscal Analysis of Property Tax Proposals and Requests for Information [Exhibit E]

Ms. Joi Leonard, Administrator, Legal Research and Drafting Section, Bureau of Legislative Research (BLR); Department of Finance and Administration (DFA) representatives Mr. Joel DiPippa, Senior Counsel; Dr. John Shelnuitt, Administrator of the Office of Economic Analysis and Tax Research; and Mr. Paul Gehring, Assistant Commissioner of Revenue, were recognized to answer questions regarding the list of property tax proposals. Ms. Leonard gave a brief overview of each property tax listed.

The following property tax proposals were approved for further study by a majority vote.

Property tax proposal 2: Motion made by Senator Ingram; second by Representative Johnson.

- Proposal #2: Create a Tax Credit for Inventory Tax

Property tax proposals 3 – 5: Motion made by Representative Dotson; second by Senator Hendren.

- Proposal #3: Repeal the Corporate Franchise Tax
- Proposal #4: Implement a Deduction or Tax Credit to Offset Franchise Tax
- Proposal #5: Reduce the Franchise Tax Rate

Mr. Joel DiPippa answered questions regarding why businesses that stop operating must file a permit with the Secretary of State's office to discontinue receiving franchise tax fee notifications; and look at options of simplifying franchise tax filings.

Property tax proposal 6: Motion made by Senator Hendren; second by Senator Ingram.

- Proposal #6: Create Uniform Property Assessment Guidelines

Assessment Coordination Department (ACD) representatives Mr. Bear Chaney, Director; Ms. Angela Hill, Deputy Director; and Mr. John Nichols, Attorney, were recognized to answer

questions regarding homestead exemptions and whether all counties in the state are using a uniform software program to track and assess property.

Property tax proposal 7: Motion made by Senator Irvin; second by Representative Dotson.

- Proposal #7: Transfer the Assessment Coordination Department into the Department of Finance and Administration

Property tax proposal 10: Motion made by Representative Dotson; second by Senator Hendren.

- Proposal #10: Consider Use of Excess Property for a Tax Relief Trust Fund

Mr. Joel DiPippa was recognized to answer questions regarding how funds from the Property Tax Relief Trust Fund may be used as outlined in Amendment 79 of the Arkansas Constitution.

The task force received written testimony regarding property taxes from Dr. Tony Prothro, Executive Director, Arkansas School Boards Association (Attachment 1) and Mr. Randy Zook, President and CEO, Arkansas State Chamber of Commerce (Attachment 2).

Presentation on Excise and Miscellaneous Taxes [Exhibit F]

Mr. Walter Anger, Commissioner of Revenue; Mr. Joel DiPippa, Senior Counsel; Dr. John Shelnutt, Administrator of the Office of Economic Analysis and Tax Research; and Mr. Paul Gehring, Assistant Commissioner of Revenue, DFA, were recognized to present a presentation regarding the state's excise and miscellaneous taxes levied on alcohol, soft drinks, cigar and tobacco products, charitable bingo and raffle, severance, gaming and amusement, and other miscellaneous taxes and fees.

Mr. Michael Keck, Government Relations Director, American Cancer Society Cancer Action Network (ACS CAN), was recognized to present information on the impact cigarette smoking has on the health of individuals (Attachment 3). Mr. Keck said annual health care expenses associated with cigarette smoking total more than \$1.2 billion. The state Medicaid budget spends nearly \$300 million each year on tobacco related illnesses and total approximately \$1.7 billion loss due to a decrease in worker productivity associated with illnesses. Raising the cigarette tax to \$1.50 per pack will increase the state's revenue \$121 million a year, prevent 22,500 youth from becoming adults who smoke, help 26,900 adults quit smoking, save 14,000 lives, and save \$1.03 billion in long-term health care costs. Mr. Keck said raising state tax rates on other tobacco products to parallel the increased cigarette tax rate will bring the state additional revenue, improve public health benefits, and promote tax equity.

The meeting adjourned at 12:30 p.m.