

**Arkansas Tax Reform and Relief Legislative Task Force  
Proposals with Motions**

**Sales Tax Exemption Proposals, April 25-26, 2018**

The following items were approved by the Task Force *as recommendations to be included in the final report*:

- Legislative Review: (Motion by Hendren/Jett) Proposal for regularly occurring legislative review process of all sales tax exemptions.
- **Sales Tax Proposal #A: Local Sales Tax**: (Motion by Hendren) Proposal to clearly define local sales tax levels including a cap on those levels.

The following items were approved by the Task Force *for further study, development, and consideration*, regarding sales tax exemptions:

- **Sales Tax Proposal #8: Coin-Operated Car Washes**: (Motion by Hester) Proposal to repeal the sales tax exemption for services provided by coin-operated car washes where labor is performed solely by the customer or mechanical equipment.
- **Sales Tax Proposal #9: 4-Wheelers/ATVs**: (Motion by Hester) Proposal to repeal the sales tax exemption on sales of four-wheelers and all-terrain vehicles (ATVs) for farm use and provide for a rebate of the sales tax paid on four-wheelers and all-terrain vehicles (ATVs) for farm use.
- **Sales Tax Proposal #16: Exemptions Under \$10k**: (Motion by Cavanaugh) Proposal to repeal any sales tax exemption less than ten thousand dollars (\$10,000).
- **Sales Tax Proposal #17: Named Entities**: (Motion by Irvin) Proposal to refine how entities qualifying for tax exemptions are defined in order to avoid constitutional implications of named entities.
- **Sales Tax Proposal #41: Magazine/Publication Subscription Sales**: (Motion by Hendren) Proposal to repeal the sales tax exemption on the sale of any publication, other than newspapers, through regular subscription.

The following items were added as a proposal to the Task Force since the last meeting on Sales Tax, but has not yet received a motion from the Task Force:

- **Sales Tax Proposal #B: Collection of Sales and Use Tax by Remote Sellers**: (Proposed by Rep. Dotson) Proposal to require out-of-state sellers that do not have a physical presence in the state and that have more than \$100,000 in sales or at

least 200 separate sales transactions in Arkansas to collect and remit Arkansas sales and use taxes.

### **Income Tax Exemption Proposals, May 23-24, 2018**

The following items were approved by the Task Force ***as recommendations to be included in the final report:***

- **Legislative Review:** (Motion by Dotson) Proposal for regularly occurring legislative review process of all individual income tax and corporate tax deductions, exclusions, and credits.
- **Income Tax Proposal #19: Repeal the Throwback Rule:** (Motion by Dotson) Repeal the throwback rule for multistate business income under Arkansas Code § 26-51-716.
- **Income Tax Proposal #20: Single Sales Factor Apportionment:** (Motion by Dotson) Amend the apportionment formula for taxing multistate business income to use a single sales factor apportionment.

The following items were approved by the Task Force ***for further study, development, and consideration,*** regarding income taxes:

- **Income Tax Proposal #1B: Net Operating Losses:** (Motion by Johnson) Proposal to incrementally increase the carry-forward period on net operating losses for all businesses to twenty (20) years.
- **Income Tax Proposal #5: Individual Income Tax Brackets:** (Motion by Hendren and Jean) Proposal to simplify the individual income tax brackets by collapsing the current tables into one (1) table and either reducing all applicable rates or reducing the top rates.
- **Income Tax Proposal #10 Corporate Income Tax:** (Motion by Dotson) Proposal to simplify corporate income tax brackets and tables by allowing for a reduction of the top two rates to 5.9% over time.
- **Income Tax Proposal #12: Earned Income Tax Credit:** (Motion by Elliott) Proposal to create a refundable earned income tax credit in an amount equal to 15% of the federal EITC.
- **Income Tax Proposal #18: Tax Triggers:** (Motion by Jett) Proposal to create a tax trigger to reduce the top individual income tax rate to 6% based on the Revenue Stabilization Act.

- **Income Tax Proposal #21: Capital Gains Tax Exemption:** (Motion by Hendren) Proposal to repeal the capital gains tax exemption for capital gains over \$10,000,000.
- **Income Tax Proposal #29: Political Contributions Income Tax Credit:** (Motion by Hendren) Proposal to repeal the political contribution income tax credit for contributions made to an approved political action committee.
- **Income Tax Proposal #30: Pass-Through Entity Tax:** (Motion by Jett) Proposal to create an optional pass-through entity tax for Arkansas businesses that operate as pass-through entities in Arkansas.

### **Property Tax Proposals, June 20-21, 2018**

The following items were approved by the Task Force *for further study, development, and consideration*, regarding property taxes:

- **Property Tax Proposal #2: Business Inventory:** (Motion by Ingram) Proposal to create a non-refundable income tax credit for the amount paid in property taxes on business inventory.
- **Property Tax Proposal #3: Franchise Tax:** (Motion by Dotson) Proposal to reduce or repeal the franchise tax on corporations, have the Department of Finance and Administration administer the tax, and eliminate the franchise tax penalty on closed businesses.
- **Property Tax Proposal #6: State Guidelines on Assessing Exempt Property:** (Motion by Hendren) Proposal to create statewide guidelines for the assessment of exempt property that gives the Assessment Coordination Department the authority to oversee and enforce the property tax laws.
- **Property Tax Proposal #7: Assessment Coordination Department:** (Motion by Irvin) Proposal to transfer the Assessment Coordination Department to the Department of Finance and Administration.
- **Property Tax Proposal #10: Property Tax Relief Trust Fund:** (Motion by Dotson) Proposal to transfer the excess funds in the Property Tax Relief Trust Fund to the Public School Fund Account and/or to dedicate any newly collected revenues to the Educational Adequacy Trust Fund.

## **Excise Tax Proposals, June 26, 2018**

The following items were approved by the Task Force ***for further study, development, and consideration***, regarding excise taxes:

- **Excise Tax Proposal #2: E-Cigarettes:** (Motion by Cavanaugh) Proposal to tax e-cigarettes at the same rate as other tobacco products.
- **Excise Tax Proposal #4-5: Cigarette Tax Increase:** (Motion by Hendren) Proposal to increase the cigarette tax and use the new revenues to offset an income tax reduction. Additionally, this proposal would require the Department of Human Services and the Department of Health to provide an in-depth estimate of the healthcare costs associated with smoking.
- **Excise Tax Proposal #8: Alcoholic Beverage Taxes:** (Motion by Johnson) Proposal to levy a special excise tax of two percent (2%) on retail sales of alcoholic beverages, cigarettes, e-cigarettes, and other tobacco products. However, the excise tax will not be levied on sales of alcoholic beverages sold for on-premise consumption.
- **Excise Tax Proposal #11: Index Fuel Taxes:** (Motion by Johnson) Proposal to index the motor fuel and distillate special fuel taxes based on the inflation rate of construction costs.
- **Excise Tax Proposal #14: Road User Fee for Electric and Hybrid Vehicles:** (Motion by Irvin) Proposal to create a road user fee for electric and hybrid vehicles at the point of registration and to use the resulting revenues to improve highways.