

INCOME TAX PROPOSAL #12
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Earned Income Tax Credit

Summary of Proposal for Consideration

To create a refundable earned income tax credit (EITC) in an amount equal to fifteen percent (15%) of the credit allowed to a taxpayer under the federal EITC, effective for tax years beginning January 1, 2019. Taxpayers who qualify for the federal EITC would be automatically eligible for the Arkansas EITC. Under this proposal, grants would also be provided to local non-profit organizations to conduct outreach activities to promote awareness of the Arkansas EITC and to provide additional tax preparation services.

Fiscal Analysis

The Department of Finance and Administration (DFA) states that providing an EITC at fifteen percent (15%) of the federal EITC level based on the previous five (5) year average of federal EITC claims for Arkansas filers has a fiscal impact of one hundred sixteen million five hundred twenty thousand dollars (\$116,520,000), with an average EITC of three hundred eighty three dollars (\$383) per filer. DFA cannot provide a fiscal impact on the proposed grant component without more information.

Potential Legal Issues

None.