

INCOME TAX PROPOSAL #29
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Political Contribution Income Tax Credit

Summary of Proposal for Consideration

This proposal would repeal the political contribution income tax credit for contributions made to an approved political action committee under Arkansas Code § 7-6-222(a)(2), effective for tax years beginning January 1, 2019.

Under current law, the income tax credit for political contributions cannot exceed fifty dollars (\$50) for an individual or one hundred dollars (\$100) for a married couple filing a joint return for contributions made to a candidate seeking nomination or election to a public office at an election or to the candidate's campaign committee, an approved political action committee, or an organized political party. This proposal would eliminate only the ability to claim an income tax credit for contributions made to a political action committee.

Fiscal Analysis

According to the Department of Finance and Administration (DFA), because there is no current distinction between a campaign and a political action committee for tax purposes, DFA is unable to provide a fiscal impact with respect to repealing part of the deduction for political contributions.

Potential Legal Issues

Under Arkansas Constitution, Article 5, § 1, the General Assembly may not repeal or amend a successful initiative or referendum, except with a two-thirds (2/3) vote of each house. Because this tax credit was established by an initiated measure, repealing part of the tax credit would require a two-thirds (2/3) vote.