

PROPERTY TAX PROPOSAL #2
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Income Tax Credit; Personal Property Tax Paid on Business Inventory

Summary of Proposal for Consideration

This proposal would create a non-refundable income tax credit equal to the amount of property tax the taxpayer paid on business inventory, with a carry-forward period of ten (10) years. The income tax credit created under this proposal and the tax deduction offered under Arkansas Code § 26-51-416 would be mutually exclusive, and business inventory that is exempt from property tax would not be subject to the income tax credit. Implementation of this proposal would likely require changes at the county level to allow taxpayers to identify the portion of property tax paid that is eligible for the income tax credit, and taxpayers would be required to provide proof of payment of the property tax to claim the income tax credit. The income tax credit would be effective for tax years beginning January 1, 2019.

Fiscal Analysis

According to the Arkansas Assessment Coordination Department (ACD), Arkansas collected an estimated seventy million two hundred ten thousand dollars (\$70,210,000) from property tax levied on business inventory based on collections from 2016. According to the Department of Finance and Administration (DFA), the proposed income tax credit may result in an estimated loss of general revenues of up to seventy million two hundred ten thousand dollars (\$70,210,000) based on collections from 2016.

Potential Legal Issues

None.