

**MINUTES
TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE
AUGUST 23, 2018**

The Tax Reform and Relief Legislative Task Force met Thursday, August 23, 2018, at 9:00 a.m., in Committee Room A-MAC, Little Rock, Arkansas.

Task Force Members Present: Senators Jim Hendren, Chair; Jonathan Dismang, Joyce Elliott, Bart Hester, 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 Alan Clark, Trent Garner, Jimmy Hickey, Bruce Maloch, and Bill Sample. Representatives Fred Allen, Scott Baltz, Charlotte Douglas, Dan Douglas, Trevor Drown, Les Eaves, Jon Eubanks, Charlene Fite, Vivian Flowers, Jimmy Gazaway, Kim Hammer, Ken Henderson, David Hillman, Grant Hodges, Fredrick Love, John Maddox, Marcus Richmond, Laurie Rushing, Johnny Rye, Brandt Smith, James Sorvillo, and Dwight Tosh.

Senator Hendren called the meeting to order.

Presentation of Fiscal Analysis of Overall Tax Reform and Relief Package

Mr. Richard Wilson, Assistant Director, Research Division, Bureau of Legislative Research, (BLR), presented a categorized list of tax proposals the tax force adopted from previous meetings including Department of Finance and Administration's approximate cost analysis from each of those categories as follows: sales and use tax, income tax, and property and excise taxes (Attachment #1). Mr. Wilson said the cost to enact the tax proposals including the most recent governor's plan would reduce state revenues by an estimate of \$275 million a year.

Presentation by Ms. Nicole Kaeding, Special Projects Director, Tax Foundation, Washington, D.C. [Exhibit D]

Ms. Kaeding was recognized to present information regarding the task force's 22 tax cut proposals and how to limit revenue impact. Ms. Kaeding suggested the task force limit the amount of tax changes in the first year, then begin lowering the individual and corporate income tax rate over time from 6.5% to 5.9% using tax triggers. Ms. Kaeding also suggested eliminating the inventory tax credit from the list of proposed tax changes. This will reduce state revenue by \$203.4 million and meet the governor's \$200 million tax relief plan and exclude tax triggers, with a 3% baseline growth rate. She said the task force can offset the inventory tax credit by broadening the sales tax base and offering an Earned Income Tax Credit.

DFA representatives Mr. Larry Walther, Director; Dr. John Shelnett, Administrator of the Office of Economic Analysis and Tax Research; and Mr. Duncan Baird, Administrator of the Office of the Budget, were recognized to answer questions regarding policy changes from previous years and provide information regarding the average year over year percentage growth rate in gross general revenue.

Written testimony by the Institute on Taxation and Economic Policy was provided to the task force (Attachments 2 & 3).

Meeting adjourned at 9:57 a.m.