



# Arkansas Tax Credits

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# Key Arkansas Tax Credits

- Insurance Premium Tax Credit
  - New Market Tax Credit (\$16 M)
  - Low-Income Housing Tax Credit (\$1 M)
  - Home Office Tax Credit (\$61 M)

# Insurance Premium Taxes

- The economic literature on this type of tax is limited. But a few key points emerge.
  - Raising an insurance premium tax does have an economic impact on the insurance firm, slightly slowing their growth.
  - However, the studies on employment do not show a statistically significant relationship.
- Meaning, that while insurance premium taxes have an economic effect, like all taxes, it is small.
  - It is smaller than other taxes as well.

# Insurance Premium Taxes

- Given that, what role do the offsetting tax credits play?
- Considering the home office credit:
  - The connection between the tax and employment is tenuous.
  - Data from the insurance Department shows a net increase of 474 jobs from 2013 to 2017.
  - Total tax credits were \$197 million.
  - That's \$415,000 per job created.
    - This assumes all jobs are due to the tax credit, which seems improbable.

# Insurance Premium Taxes

- Considering the NMTC:
  - Here the literature is definite. These tax credits are not effective.
    - They duplicate other programs.
    - They don't tend to actually benefit "low-income" areas.
    - They go to projects that would have been completed anyway.
- Considering the low-income housing tax credit:
  - These have also been ineffective.
    - They tend to benefit landlords or developers, not tenants.

# Insurance Premium Taxes

- How should Arkansas proceed?
  - Arkansas would be better served to use the revenue spent on these tax credits to lowering taxes elsewhere.