

MINUTES
TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE
NOVEMBER 27, 2018

The Tax Reform and Relief Legislative Task Force met Tuesday, November 27, 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, and David Wallace. Representatives Lane Jean, Chair; Jim Dotson, Kenneth B. Ferguson, Joe Jett, Bob Johnson, and Mathew Pitsch.

Other Legislators Present: Senators Scott Flippo, Trent Garner, Jimmy Hickey, Bruce Maloch, and Bill Sample. Representatives Fred Allen, Carol Dalby, Andy Davis, Charlotte V. Douglas, Dan M. Douglas, Trevor Drown, Jon S. Eubanks, David Fielding, Justin Gonzales, David Hillman, Steve Hollowell, Marcus Richmond, Johnny Rye, Matthew Shepherd, Nelda Speaks, and Dwight Tosh.

Members-Elect Present: Senator-elect Mark Johnson and Representative-elect Spencer Hawks.

Representative Jean called the meeting to order.

Consideration to Approve the October 29, 2018, Minutes [Exhibit C]

Senator Elliott made a motion to approve the minutes from the October 29, 2018, meeting, and with a second by Representative Pitsch, the minutes were adopted without objection.

Presentation of Proposal Regarding Sales Tax on Bus Advertising [Exhibits D-1, D-2]

Senator Elliott was recognized and requested that task force members carefully consider including a sales tax exemption for transit bus advertising into the proposed draft legislation.

Mr. Tom Houck, President, Houck Transit Advertising, Little Rock, was recognized and explained that his company sells advertising for display on his public transit buses. He stated that under the current Arkansas Code, businesses that advertise on transit buses are required to pay a sales tax but when those same businesses place the same ads on billboards and newspapers, the sales are exempt. Mr. Houck requested that the sales tax exemption be extended to transit bus advertising (Exhibit D-1). Mr. Houck also presented a fiscal impact summary of proposed exemption for transit bus advertising (Exhibit D-2).

Discussion on Premium Tax Credits and Premium Rate

Senator Hendren noted that discussion on premium tax credits and premium rates would be completed at the next task force meeting.

Updated Fiscal Impact and Proposed Timeline for “2/4/5.9%” Plan [Exhibit F]

Department of Finance and Administration (DFA) representatives Mr. Paul Gehring Assistant Commissioner of Revenue, and Mr. Walter Anger, Deputy Director and Commissioner of Revenue, were recognized. Mr. Gehring presented an updated fiscal impact and proposed timeline to the governor’s “2/4/5.9%” income tax bracket plan. Phase one to the 2/4/5.9/6.5% tax brackets would begin TY2020 and have a fiscal impact of \$47 million, the second phase-in of 2/4/5.9/6.3% would begin TY2021 and have a fiscal impact of \$64 million, the third phase-in of 2/4/5.9/6.1% would begin TY2022, and the fourth phase-in of 2/4/5.9% would begin in TY2023 with each having a fiscal impact of \$32 million. The total estimated fiscal impact would be \$191 million in FY2024.

Presentation of Draft Legislation [Exhibits G-1, G-2, G-3]

Bureau of Legislative Research (BLR) representatives Mr. Richard Wilson, Assistant Director, and Ms. Joi Leonard, Administrator, were recognized. Ms. Leonard presented a summary of the proposed legislative package and draft legislation (Exhibits G-1, G-2).

Mr. Wilson presented a fiscal analysis of Option A and the governor's 2/4/5.9% plans beginning FY2020 through FY2023 (Exhibit G-3).

The task force members voted (7-3) on Option A1, which collapses the tax tables from three to one first and then reduces the top rate.

The meeting adjourned at 11:10 a.m.