

**MINUTES**  
**TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**  
**DECEMBER 12, 2018**

The Tax Reform and Relief Legislative Task Force met Wednesday, December 12, 2018, at 9:00 a.m., in Committee Room A-MAC, Little Rock, Arkansas.

**Task Force Members Present:** Senators Jim Hendren, Chair; Joyce Elliott, Bart Hester, Keith Ingram, Missy Irvin, Larry Teague, and David Wallace. Representatives Lane Jean, Chair; Frances Cavanaugh, Jim Dotson, Kenneth B. Ferguson, Joe Jett, and Bob Johnson.

**Other Legislators Present:** Senators Breanne Davis, Jimmy Hickey, Jason Rapert, and Bill Sample. Representatives Fred Allen, Andy Davis, Charlotte V. Douglas, Trevor Drown, David Fielding, David Meeks, Kim Hammer, Roger Lynch, Aaron Pilkington, Marcus Richmond, and Johnny Rye.

**Members-Elect Present:** Senator-elect Mark Johnson and Representatives-elect Stan Berry and Keith Slape.

Senator Hendren called the meeting to order.

**Consideration to Approve the November 27, 2018, Minutes [Exhibit C]**

Senator Teague made a motion to approve the minutes from the November 27, 2018, meeting and, with a second by Representative Johnson, the minutes were adopted without objection.

**Discussion on Premium Tax Credits and Premium Rate [Handout #1]**

Senator Hendren presented a proposal to gradually cut the home-office tax credit to insurance companies against their insurance premium taxes from \$43.4 million to \$39.9 million in TY2020, \$37.1 million in TY2021, \$32.5 million in TY2022, and \$27.1 million in TY2023 (Handout #1). The proposal also includes an \$18 million cap that would begin in FY2020.

**Updated Fiscal Impacts [Exhibit E]**

**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 provided fiscal impact statements for the task force's draft legislation. Mr. Gehring also provided revenue impact statements on exemptions regarding public transit advertising and the governor's 2-4-5.9% income tax reduction plan using two-year and three-year phase-ins. Mr. Gehring stated that DFA does not have sufficient information to provide a revenue impact regarding opportunity zones created under the Tax Cuts and Jobs Act.

Mr. Gehring presented a year-by-year summary of the governor's 2/4/5.9 Plan with various phase-in options including the total fiscal impact on net revenues generated (Attachment #1).

**Discussion on Draft Legislation by the Task Force**

Action to recommend the draft legislation as representative of the recommendations in the Task Force's final report:

JLL031: Capital Gains

JLL032: Political Contributions

JLL051: Pass-Through Entity Tax

JLL055: Road User Fee

JLL070: Indexing Fuel Taxes

JLL069: Comprehensive Reform Bill

JLL071: Phase 1 of Income Tax Reform and Relief (Option A)

JLL072: Phase 1 of Income Tax Reform and Relief (2/4/5.9 Plan)

JLL073: Phase 2 of Income Tax Reform and Relief (Option A and 2/4/5.9 Plan)

Ms. Nicole Kaeding, Director of Federal Projects, Tax Foundation, Washington, D.C., was recognized for comments and to answer task force questions regarding the draft legislation and personal income tax plan options.

Task force members voted by ballot to prioritize the following options in order of preference:

(1) governor's 2/4/5.9 Plan over three years, (2) governor's 2/4/5.9 Plan over two years, and (3) Option A with a 3 year phase-in.

Senator Irvin made the motion to accept the fiscal impacts and draft legislation for consideration to the 92<sup>nd</sup> General Assembly and, with a second by Senator Wallace, the motion carried.

Representative Dotson made the motion to include net operating loss (NOL) in phase one and, with a second by Representative Jean, the motion passed.

Senator Elliott made the motion to add a proposal to include a sales tax exemption for transit bus advertising into the proposed draft legislation and, with a second by Representative Dotson, the motion passed.

The meeting adjourned at 10:23 a.m.