

TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE
MEETING MINUTES
JULY 11, 2017

The Tax Reform and Relief Legislative Task Force met on Tuesday, July 11, 2017, at 9:00 a.m. in Room A-MAC, Little Rock, Arkansas.

Task Force members present: Senators Jim Hendren, chair, Bart Hester, Keith Ingram, Missy Irvin, Larry Teague, and David Wallace; Representatives Lane Jean, chair, Frances Cavanaugh, Jim Dotson, Kenneth B. Ferguson, Bob Johnson, Joe Jett, Matthew Pitsch, and Warwick Sabin.

Other legislators present: Senators Linda Chesterfield, Jake Files, Trent Garner, Jim Hickey, Jr., Jason Rapert, and Bill Sample; Representatives Fred Allen, Charles Blake, David Branscum, Andy Davis, Jana Della Rosa, Dan M. Douglas, Trevor Drown, Jeremy Gillam, Michael John Gray, Kim Hammer, Ken Henderson, David Hillman, Grant Hodges, Steve Hollowell, John Maddox, Austin McCollum, Reginald Murdock, Clint Penzo, Aaron Pilkington, Chris Richey, Marcus Richmond, Laurie Rushing, Johnny Rye, Matthew Shepherd, James Sorvillo, DeAnn Vaught, and Jeff Williams.

Senator Hendren called the meeting to order.

Consideration to Approve Minutes from the June 7, 2017, Meeting [Exhibit B]

The minutes from the June 7, 2017, Tax Reform and Relief Legislative Task Force meeting were approved by acclamation.

Taxes and Arkansas Families [Exhibit C]

Mr. Richard Huddleston, Executive Director, Arkansas Advocates for Children and Families, presented a summary outlining his recommendations regarding tax reform. These included focusing on public investments to improve economic growth, boost tax credits for working families, closing corporate loopholes, modernize sales tax, and update highway funding strategies. He encouraged the task force to look at personal and property taxes and the state's regulatory burden on local businesses and industry.

Ms. Eleanor Wheeler, Senior Policy Analyst, Arkansas Advocates for Children and Families, presented a tax policy proposal regarding the Arkansas Earned Income Tax Credit (EITC). Ms. Wheeler said studies show an EITC program lifts the poverty line, is simple to implement, improves the business climate in local communities, incentivizes single parents to enter the work force, and improves the financial health of low-income children and families. Ms. Wheeler said study shows 63% of EITC recipients use their tax credit to pay down debts and accumulate assets. Twenty-nine states utilize the EITC program.

Competitive Review of Arkansas' Tax Structure [Exhibits D1, D2]

Mr. Doug Lindholm, Executive Director, Council on State Taxation (COST), gave a PowerPoint presentation [Exhibit D1], outlining COST's recommendations to modernize and simplify the state's tax code, increase its competitiveness to facilitate job creation and economic growth, and

ensure fairness to Arkansas taxpayers. According to COST's 2015 Business Tax Burden Study [Exhibit D2], Arkansas businesses paid \$4.7 billion in state and local taxes, or 40.6% of all taxes collected in Arkansas. Neighboring states vary in the business share of their respective tax burdens: Louisiana-48.8%, Mississippi-51.8%, Oklahoma-49.1%, Tennessee-53%, and Texas-61.5%. Under state corporate income taxes, Arkansas generates approximately 11% of total business taxes. COST's policy choices to reform Arkansas business taxes include: avoid mandatory unitary combined reporting, repeal the "throwback" rule in apportioning corporate income taxes, conform the NOL carryover rule to the federal rule, avoid "alternative base" business taxes, phase out the Arkansas corporate franchise tax, improve state tax appeals and procedural requirements, improve sales tax and property tax design administration. Mr. Lindholm's report addressed several issues that would help improve the administration of Arkansas property taxes levied upon businesses. In conclusion, business taxes can either help drive or hinder state economic growth. Mr. Lindholm suggested the task force seek opportunities to minimize obstacles to investment and job creation.

State Tax Structures: A Regional Overview [Exhibit E]

Ms. Kathleen Quinn, Research Analyst II, National Conference of State Legislatures (NCSL), gave a PowerPoint presentation [Exhibit E], which included tax comparison charts according to rank between Arkansas, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, and Texas. Comparisons were shown for state and local tax structures, motor fuel tax rate per gallon, cigarette tax rate per pack, severance tax for total sales tax collections, property taxes per \$1,000 of personal income, and tax triggers that have been used by Missouri, North Carolina, and Oklahoma.

Ms. Jill Thayer, Legal Counsel to the Director, Bureau of Legislative Research (BLR), gave a brief overview regarding the request for proposals (RFP) received from North Little Rock and Philadelphia. After careful review of the proposals, it was determined that neither met the RFP requirements. Ms. Thayer presented a revised RFP timeline document. BLR will resubmit a new request for proposals. Once a vendor has been selected to serve as consultant, the contract will be reviewed by ALC Policy-Making Subcommittee. ALC will review the recommendation of the Policy-Making Subcommittee regarding the contract. Following approval of the contract, the consultant will begin work for the task force.

Representative Bob Johnson made the motion to cancel the RFP proposals that were received and authorize BLR to resubmit a new request and continue with the RFP process; with a second by Representative Jim Dotson, the motion carried.

Meeting adjourned at 1:40 p.m.