INCOME TAX CUT WOULD IMPROVE ARKANSAS' COMPETITIVE POSITION

"Arkansas would benefit from comprehensive, pro-growth reform; Arkansans are not under-taxed; taxes and rates do matter to entrepreneurs; dynamic scoring of tax changes and effects provides benefits." Arkansas Policy Foundation Mission Statement

(December 2021) A pending proposal to reduce Arkansas' top income tax rate from 5.9% to 4.9% would improve the state economy's competitive position in the 12-state Southeast region, Federation of Tax Administrators records show.

Pre-Tax Cut
South Carolina 7.00%
West Virginia 6.5%
Louisiana 6.0%
Arkansas 5.9%
Georgia and Virginia 5.75%
North Carolina 5.25%
Alabama, Kentucky and Mississippi 5.0%
Florida and Tennessee No state income tax

Post-Tax Cut
South Carolina 7.00%
West Virginia 6.5%
Louisiana 6.0%
Georgia and Virginia 5.75%
North Carolina 5.25%
Alabama, Kentucky and Mississippi 5.0%
Arkansas 4.9%
Florida and Tennessee No state income tax

Arkansas' position would also improve versus border states.
<table>
<thead>
<tr>
<th>State</th>
<th>Pre-Tax Cut</th>
<th>Post-Tax Cut</th>
</tr>
</thead>
<tbody>
<tr>
<td>Louisiana</td>
<td>6.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Arkansas</td>
<td>5.9%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Missouri</td>
<td>5.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Mississippi and Oklahoma</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Tennessee and Texas</td>
<td>No state income tax</td>
<td>No state income tax</td>
</tr>
</tbody>
</table>

Arkansas Gov. Asa Hutchinson has announced his intention to call a special legislative session in December to lower state income tax rates.

Tax rates are a factor of economic development, along with a skilled work force, infrastructure, non-arbitrary regulatory environment and other issues that vary from state to state.

-- Greg Kaza

Source: State Individual Income Tax Rates - January 1, 2021 (taxadmin.org)