

THREE BORDER STATES REDUCE INCOME TAXES

"There is significant evidence that reductions in marginal state tax rates encourage state economic growth ...Rates on productive behavior should be reduced." "Arkansas Policy Foundation, Murphy Commission project, 1998

(June 2021) Three states that border Arkansas have taken action this year to reduce their top state income tax rates. The states are Tennessee, Oklahoma and Louisiana.

A fourth border state-Texas-does not have a state income tax.

Tennessee completed its multi-year phase-out of the state income tax on dividends and interest. Tennessee does not tax other income. The phase-out began in 2016 when the income tax on dividends and interest was 6.0%, and was completed Jan. 1, 2021.¹

Oklahoma reduced its top personal income tax rate last month from 5.0% to 4.75%.² Oklahoma and Arkansas both shared a top 7% income tax rate at the turn of the century. Arkansas' top rate dropped to 5.9% on Jan. 1, 2021.

Louisiana voters will vote later this year on a tax-swap proposal to reduce the top income tax rate from 6.0% to 4.25%. Policymakers agreed this month on a measure that would eliminate tax deductions in exchange for reducing the state's income tax rates.³

-- Greg Kaza

¹ [Two No-Income-Tax States, New Hampshire & Tennessee, Take Opposing Paths In 2020 \(forbes.com\)](https://www.forbes.com)

² [Gov. Kevin Stitt gives final approval to Oklahoma tax cuts \(oklahoman.com\)](https://www.oklahoman.com)

³ [Louisiana Tax Swap Plans Win Final Passage to Reach Ballot | Louisiana News | US News](https://www.usnews.com)