

THE FISCAL IMPACT OF REPEALING THE STATE CAPITAL GAINS TAX

(June 2022) Policymakers have proposed phasing-out the Arkansas income tax, which generates about \$4 billion in annual revenues.

The Arkansas capital gains tax has generated between \$54.7 million and \$115.9 million in annual revenues in the past decade, according to a recent communication from the state Department of Finance and Administration (DFA) and historical data. The highest reported capital gains collection occurred in 2012, while the lowest took place in 2016.

Arkansas Capital Gains Tax Revenue

| | |
|------|---------------|
| 2011 | \$60,195,441 |
| 2012 | \$115,981,695 |
| 2013 | \$66,978,306 |
| 2014 | \$89,827,722 |
| 2015 | \$63,988,361 |
| 2016 | \$54,771,993 |
| 2017 | \$66,284,006 |
| 2018 | \$83,544,118 |
| 2019 | \$87,383,840 |
| 2020 | \$103,004,745 |

DFA does not identify capital gains in monthly or annual revenue reports "because of the long lag time associated with tax return filings that contain such information," the communication states.

Number of Tax Filers

Opponents of reducing or repealing the state capital gains tax claim only a small number of taxpayers would benefit from the policy. But DFA records show more than 137,000 tax returns have reported state capital gains taxes annually in the past decade. The greatest number of capital gains returns (152,914) was recorded in 2017, records show.

| Year | Returns With Capital Gains |
|-------------|---------------------------------------|
| 2011 | 137,952 |
| 2012 | 142,174 |
| 2013 | 148,430 |
| 2014 | 149,255 |

| | |
|------|---------|
| 2015 | 147,181 |
| 2016 | 146,627 |
| 2017 | 152,914 |
| 2018 | 137,017 |
| 2019 | 139,437 |
| 2020 | 147,318 |

-- Greg Kaza

Sources:

- DFA communication to Policy Foundation, May 17, 2022.
- "Arkansas Taxpayers & Capital Gains." Policy Foundation research memo (June 2019)