

POLICYMAKERS ACCELERATE INCOME TAX CUT

"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

(August 2022) Arkansas policymakers approved an income tax rate reduction in a special session this month by making it retroactive to Jan. 1, 2022. The move reduces Arkansas individual and corporate income tax rates.

Policymakers also approved a measure that allows for the immediate expensing of capital investments.

Under a plan approved last year by policymakers, individual income tax rates were scheduled to be reduced from 5.9% to 4.9% by 2025, while corporate rates were set to decline from 6.2% to 5.3% over the same multi-year period.

The new corporate income tax rate will fall to 5.3% starting Jan. 1, 2023.

Policymakers decided to meet in special session to accelerate the rate reductions when the state finished its fiscal year with a \$1.6 billion surplus.

Gov. Asa Hutchinson told the Policy Foundation prior to his election that he hoped to reduce the top income tax rate to 5.0%. Hutchinson became governor in January 2015, and made the following remark about the action:

"In less than 8 years, we have taken the income tax rate from the highest it has ever been to the lowest it has ever been, while also growing our state reserves from \$0 to \$2 billion. "We have accomplished this through a smarter, leaner, and more efficient state government."

Gov. Hutchinson announced an Efficiency Project at the Policy Foundation's 20th anniversary event in December 2015.