

POLICYMAKERS BAN LOCAL INCOME TAXES

(February 2023) Arkansas legislators have approved a bill to ban local governments from enacting an income tax. House Bill 1026 (sponsor: State Rep. David Ray of Maumelle) was approved by the House, 79-10, in late January; and by the Senate, 27-6, earlier this month. The measure has been sent to Gov. Sarah Huckabee Sanders. (1)

"Current law allows a local government to enact a local income tax with approval of a majority of voters in a general or special election," according to a fiscal analysis by the state Department of Finance and Administration (DFA). The bill states a county, city, or other local government shall not levy an income tax. DFA reported no fiscal impact.

The measure improves Arkansas' competitive position versus states in the Southeast region that allow local governments to levy income taxes.

Alabama

Three cities levy income taxes: Bessemer (1.0%), Birmingham (1.0%), and Gadsden (2.0%). Macon County (1.0%) also levies a tax. (2)

Kentucky

Kentucky counties levy income taxes ranging from 0.01% to 2.5%. (3)

--Greg Kaza

Notes

(1) www.arkleg.state.ar.us

(2) <https://www.tax-rates.org/alabama/local-income-taxes>

(3) <https://www.tax-rates.org/kentucky/local-income-taxes>