

PROPOSAL WOULD CUT INCOME TAX RATE TO 5.8%

(March 2021) A proposal pending in the state House of Representatives would reduce Arkansas' top income tax rate from 5.9% to 5.8%, public records show.

House Bill 1403, sponsored by State Rep. John Maddox, R-Mena, would lower the rate, fourth-highest in the 12-state southeast region behind South Carolina (7.0%), West Virginia (6.5%), and Louisiana (6.0%). Two states in the region (Florida, Tennessee) do not have a state income tax.¹

Sponsor: Arkansas at 'Competitive Disadvantage'

Rep. Maddox is an attorney serving his third House term. In an interview, Rep. Maddox said he introduced the bill because "Arkansas is at a competitive disadvantage with border states." Oklahoma is near Mena, he noted, and has a top rate of only 5%. His goal is to see Arkansas' top rate reduced to 4.9%. Policy Foundation research shows Arkansas would have the *third-lowest* regional rate at 4.9%, ahead of states such as Georgia and Virginia (5.75%); North Carolina (5.25%); and Alabama, Kentucky, and Mississippi (5.0%).

"We have to try to catch up and become competitive with our surrounding states in terms of our tax rates," Rep. Maddox said. "Businesses look at rates in terms of where they move and set up business."

"We need to reward people for work, not punish them," he said.

Rep. Maddox's proposal is before the state House Revenue & Tax Committee.

Gov. Hutchinson: Reduction 'Doable As Well'

Other measures before the committee would exempt or reduce the sales tax on used vehicle sales. Gov. Asa Hutchinson said, "A sales tax reduction for used cars, if passed, meets the objective of a tax cut for low and middle income Arkansans. A rate reduction from 5.9 to 5.8 is doable as well."²

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

² "Governor cites session goals, achievements." *Arkansas Democrat-Gazette*. March 29, 2021

