

AN ARKANSAS GOVERNOR PROPOSES A STATE INCOME TAX CUT

Q. Which Arkansas governor proposed an income tax cut during his tenure in office?

- William Jefferson Clinton
- Mike Huckabee
- Dale Bumpers
- None Of The Above

(May 2007) Imagine an Arkansas governor who proposes cutting the state income tax. One media report describes the legislature's reaction to the proposal as "only slightly warmer than Little Rock's high temperature (that day) of 28 degrees." A now-defunct Little Rock daily newspaper's editorial page attacks the governor as "anti-tax" and "anti-government." Why is the governor proposing an income tax cut? The governor, in his own words, states, "We must correct the popular myth that a high level of government will solve our problems and meet our needs."

William Jefferson Clinton (1979-1980, 1983-1992) and Mike Huckabee (1996-2006) raised taxes to provide increased spending for public schools. Neither proposed an income tax cut during his tenure in office. Nor did Dale Bumpers (1971-1974) who raised the top income tax rate from five to seven percent, its current rate, to "broaden the tax base." The answer to the question is None Of The Above.

Gov. Pryor's Proposal

The governor who proposed a state income state cut was David Pryor (1975-1978), father of U.S. Sen. Mark Pryor. Pryor, a Democrat, did not propose cutting the income tax to grow the state's economy through employment and income growth. His proposal was meant to give Arkansans an incentive to raise local taxes. He wanted the state to stop returning part of its general revenues to municipal and county units of government, arguing local government should make more decisions:

"State government cannot continue to act as a giant school board, a city council, and a county government:"

Gov. Pryor, in making his proposal, expressed his concern that state government liabilities were expanding at an unsustainable growth rate. "I can report to you," he stated, "that state government, under traditional methods of finance, will experience a tremendous widening of the gap between available resources and future demands." His warning came to pass when Clinton raised the sales tax, which Gov. Pryor had threatened to veto, in the mid-1980s. The tax increase funded increased spending on public education.

Taxpayers, under Gov. Pryor's plan, would have received a 10 percent reduction in their state income taxes in 1977, and a 25 percent cut the following year. His proposal would have adjusted tax brackets and rates. It was not an across-the-board reduction for all income groups. Taxpayers in lower- and middle-class brackets would have received cuts of 50 percent or more while those earning more would have received smaller reductions.

Legislators opposed Gov. Pryor's proposal, arguing the income tax was more "equitable" and "progressive" than other taxes. They also argued any tax cut would lead to a reduction in revenues used to fund government programs. The same argument was used in 1999 when the state capital gains tax was cut 30 percent and earlier this year when the state sales tax on groceries was reduced 50 percent. This line of reasoning failed in 1999 and 2007 but three decades ago it succeeded and Gov. Pryor's proposal was not enacted.

Conclusion

Opponents of tax relief attempt to define the idea of an income tax cut as outside of the legitimate parameters of debate in Arkansas. They overlook that Gov. Pryor raised the issue three decades ago.

-- Greg Kaza

References

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