

ARKANSAS IMPROVES COMPETITIVE POSITION

"Arkansas would benefit from comprehensive, pro-growth reform; Arkansans are not under-taxed; taxes and rates do matter to entrepreneurs ..." Policy Foundation Mission Statement

(February 2023) Past Policy Foundation research noted a reduction in Arkansas' top income tax rate to 4.9% would improve the state's competitive position in the 12-state Southeast region. (1) New Federation of Tax Administrators (FTA) data shows improvement in rank.

Pre- and Post-Tax Cut Comparison

Policy Foundation research based on FTA records show nine Southeast states had lower top income tax rates prior to the reduction.

Florida, Tennessee	No state income tax
Alabama, Kentucky, Mississippi	5.0%
North Carolina	5.25%
Georgia, Virginia	5.75%
Arkansas	5.9%
Louisiana	6.0%
West Virginia	6.5%
South Carolina	7.0%

FTA data released in January show lower rates in only five Southeast states.

Florida, Tennessee	No state income tax
Louisiana	4.25%
Kentucky	4.5%
North Carolina	4.75%
Arkansas	4.9%
Alabama, Mississippi	5.0%
Georgia, Virginia	5.75%
South Carolina	6.4%
West Virginia	6.5%

A rate reduction to 4.4% would place Arkansas among the one-third of states with the lowest income tax rates, according to the FTA data.

Alaska, Florida, Nevada, New Hampshire, South Dakota Tennessee, Texas, Washington, Wyoming	No state income tax
North Dakota	2.90%
Pennsylvania	3.07%
Indiana	3.15%

Ohio	3.99%
Louisiana, Michigan	4.25%
Colorado, Arkansas (3)	4.4%

-- Greg Kaza

Notes

(1) Policy Foundation research memo (December 2021) "Income Tax Cut Would Improve Arkansas' Competitive Position"

(2) Federation of State Tax Administrators. "State Individual Income Taxes" (Tax rates for year 2023--as of January 1, 2023)

https://taxadmin.memberclicks.net/assets/docs/Research/Rates/ind_inc.pdf

(3) House Bill 1097 (sponsor: State Rep. David Ray) would reduce the top Arkansas income tax rate from 4.9% to 4.5%.