OPPORTUNITY ARKANSAS
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Pathway to Prosperity:
How to Phase Out Arkansas's Work-Punishing Personal Income Tax

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OVERVIEW

Every year, hardworking Arkansans are forced to fork over billions of their hard-earned dollars to the state government through the personal income tax. Ultimately, this tax is punitive—because virtually every dollar an Arkansan earns is taxed, and the more they earn, the more they pay to the state government. It is wrong.

Arkansas's personal income tax is also hurting the state in the race for good-paying jobs. Right next door, Tennessee and Texas residents are free from personal income taxes entirely. This leaves Arkansas sandwiched between two states that have a significant advantage in recruiting workers and jobs. Indeed, Arkansas ranks last in the entire region for its income tax climate.[1]

Arkansas policymakers deserve recognition for the hard work they have done and the significant strides they have made in recent years to reduce income taxes. But rather than becoming complacent, Arkansas must continue this effort and kick it into overdrive. It is not enough for Arkansas to simply keep up with its neighbors, some of whom are already pursuing more aggressive tax relief policies. Arkansas must pick up the pace.

To distinguish itself as a destination for tax relief, Arkansas will need to lower its taxes faster than surrounding states—and ultimately eliminate the work-punishing personal income tax entirely, which many state leaders have expressed support for doing.

Luckily, the state is in the ideal position to do just that. With a substantial budget surplus and state leaders who are committed to this goal, there has never been a better time for Arkansas to gradually and decisively phase out the income tax and cement itself as an economic powerhouse.

With an abundance of natural resources and beauty, strong communities, strategic geographic location, and long, proud history of punching above its weight, there is no reason Arkansas cannot be the economic envy of the nation.

Unfortunately, Arkansas's income tax is holding back the state's potential. But fortunately, having a state income tax is a choice—and it is a choice policymakers should reject.

ARKANSAS HAS ALREADY MADE SIGNIFICANT INCOME TAX REFORM

Eliminating Arkansas's punitive income tax is a lot more realistic than perhaps it initially sounds—especially when accounting for the progress that has already been made. Indeed, less than five years ago, the state's top tax rate sat close to 6.9 percent. Today, it stands at just 4.4 percent.

Arkansas Income Tax Reform in Recent Years

February 2019: $97 million
Lawmakers approved a plan to reduce the top marginal personal income tax rate from 6.9 percent to 5.9 percent over two years, all while cutting and consolidating rates for middle and low-income earners.[2-3]

December 2021: $500 million once fully implemented in 2025
The legislature approved another round of income tax cuts, totaling $500 million in annual relief once fully implemented.[4-5]

August 2022: Acceleration of previously adopted tax cuts
Cuts were accelerated with another tax relief package that further reduced personal and corporate income tax rates, and created a non-refundable income tax credit.[6-7]

April 2023: $124 million
Gov. Sarah Sanders signed another bill cutting income taxes again, retroactive to the beginning of 2023.[8-9]

September 2023: $248.5 million
Further income tax cuts were adopted in a September special session, reducing the top personal income tax rate to 4.4 percent, reducing the corporate rate to 4.8 percent, consolidating brackets for businesses, and creating a one-time inflation relief tax credit.[10-11]

All told, these tax policy changes over the last four years alone represent remarkable progress, with nearly $1 billion in cumulative relief provided to Arkansans after the changes were fully implemented.[12] Clearly, state policymakers have shown their willingness to curb income taxes.

However, Arkansas has solely relied on revenue growth, i.e. state surpluses, to gradually and conservatively lower the income tax rate (both personal and corporate). Meanwhile, state spending has also gradually increased.[13]

Again, while this is still progress, the pace of change could be accelerated by adopting additional budget reforms, similar to what neighboring states have implemented. Indeed, Arkansas is in a constant, ongoing competition for jobs and residents with many of these very states. If Arkansas hopes to keep up, a more comprehensive approach to tax reform is needed.

ARKANSAS'S NEIGHBORS ARE QUICKLY PHASING OUT THEIR INCOME TAXES

Arkansas's progress, while significant, is not happening in a vacuum. Indeed, the state is chasing a moving target, as many surrounding rival states have also been aggressively reducing incomes taxes.

Over the same four-year period that Arkansas reduced its personal income taxes, three of the state's neighbors (Oklahoma, Louisiana, and Missouri) also reduced their top marginal income tax rates.[14]

Other neighbors are also making significant headway: Mississippi Governor Tate Reeves is actively pushing to eliminate the Magnolia State's personal income tax, recently signing legislation that will take the state to a flat 4.0 percent top tax rate by 2026. In Oklahoma, Gov. Kevin Stitt is pushing for an end to the Sooner State's income tax. And in Louisiana, Governor-elect Jeff Landry has expressed his desire to do the same in the Pelican State.[15–17]

In order to keep pace—and perhaps even surpass neighboring economic powerhouses like Texas and Tennessee—Arkansas must accelerate its good work toward eliminating its work-punishing, growth-hindering income tax. It can do so by using a comprehensive approach that not just captures revenue surpluses but also restrains state spending, eliminates waste, and tackles the state's primary budget drivers.

SIX STRATEGIES FOR ARKANSAS TO ACCELERATE ITS INCOME TAX PHASE-OUT

Revenue growth alone will not fuel enough income tax reductions to make Arkansas economically competitive. Indeed, most of Arkansas's competitors are using a variety of additional strategies to drive down their income taxes including spending limits, tax cut triggers, and more. Arkansas should learn from its competitors and pursue a comprehensive approach that will accelerate income tax reform at an even faster pace.

This can be accomplished by: 1) Creating income tax triggers based on state surpluses, 2) limiting future budget increases to the growth in Arkansans' income, 3) getting major budget items under control, 4) draining the bloated Little Rock bureaucracy, 5) eliminating wasteful spending, and 6) simplifying revenue streams.

Six Strategies to Zero

1. **Create tax cut triggers**
2. **Limit future spending increases**
3. **Get major budget items under control**
4. **Drain the bloated Little Rock bureaucracy**
5. **Eliminate wasteful spending**
6. **Simplify revenue streams**

Together, these strategies—combined with new organic revenue growth generated by lower taxes and a growing economy—will significantly accelerate Arkansas's income tax phase out and immediately make the state more competitive.

STRATEGY #1: CREATE TAX CUT TRIGGERS

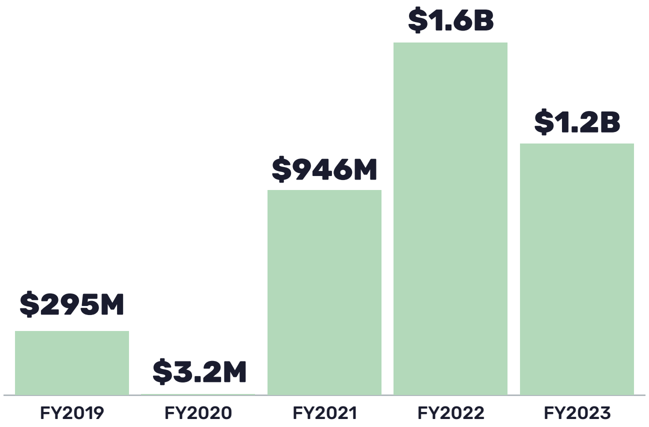
With the exception of FY2020 (the fiscal year just after the COVID-19 emergency began), Arkansas has posted substantial general revenue surpluses in recent years.[18-19] **In fact, the total amount of general revenue surpluses from the last three years alone—roughly $3.7 billion—is more than quadruple the total amount of general revenue surpluses for the preceding 10 years combined.**[20]

Indeed, even as income tax rates have fallen, gross income tax receipts have continued to hold steady or rise.[21-22]

Arkansas should reinvest these surpluses into additional income tax cuts by instituting automatic tax reductions. This strategy would avoid recurring political fights over how to best spend the money and continue the important work of income tax reductions in perpetuity. In other words, as the state collects more money than it needs, it would return a portion of those excess funds to taxpayers rather than spending them.

This strategy is currently being used by more than half a dozen states, including many of Arkansas's neighbors.[23-24]

ARKANSAS HAS ENJOYED MASSIVE SURPLUSES IN RECENT YEARS



Sources: Arkansas Department of Finance and Administration; Arkansas Democrat-Gazette

MANY OF ARKANSAS'S PEER STATES HAVE TAX CUT TRIGGERS IN PLACE

GEORGIA

- Tax collections must increase by at least three percent;
- Actual revenue must be higher than revenue in the each of the previous five years; and
- The state must not experience a budget shortfall that causes reserves to fall below the amount of revenue lost by the tax cuts.[25]

INDIANA

- The growth rate of general fund revenue collections must be at least two percent above the previous year; and
- The balance in the Pension Stabilization Fund must be sufficient to pay the liabilities in the Pre-1996 Teachers Retirement Fund.[26]

KENTUCKY

- The Budget Reserve Trust Fund's closing balance shall be equal to or greater than 10 percent of the general fund balance for that fiscal year; and
- The general fund balance at the end of a fiscal year must be equal to or greater than general fund appropriations plus the reduction in general fund revenues resulting from a one percentage point reduction in the personal income tax rate.[27]

LOUISIANA

- Individual income tax receipts in the prior fiscal year must exceed FY19 growth-adjusted revenues;
- Revenue Estimated Conference-based receipts in the prior year must exceed FY19 growth-adjusted revenues; and
- The Budget Stabilization Fund balance must be equal to at least 2.5 percent of state revenue receipts for the prior fiscal year.[28]

MISSOURI

- Net general revenue in the previous fiscal year must exceed net general revenue in any one of the three fiscal years prior by at least $150 million.[29]

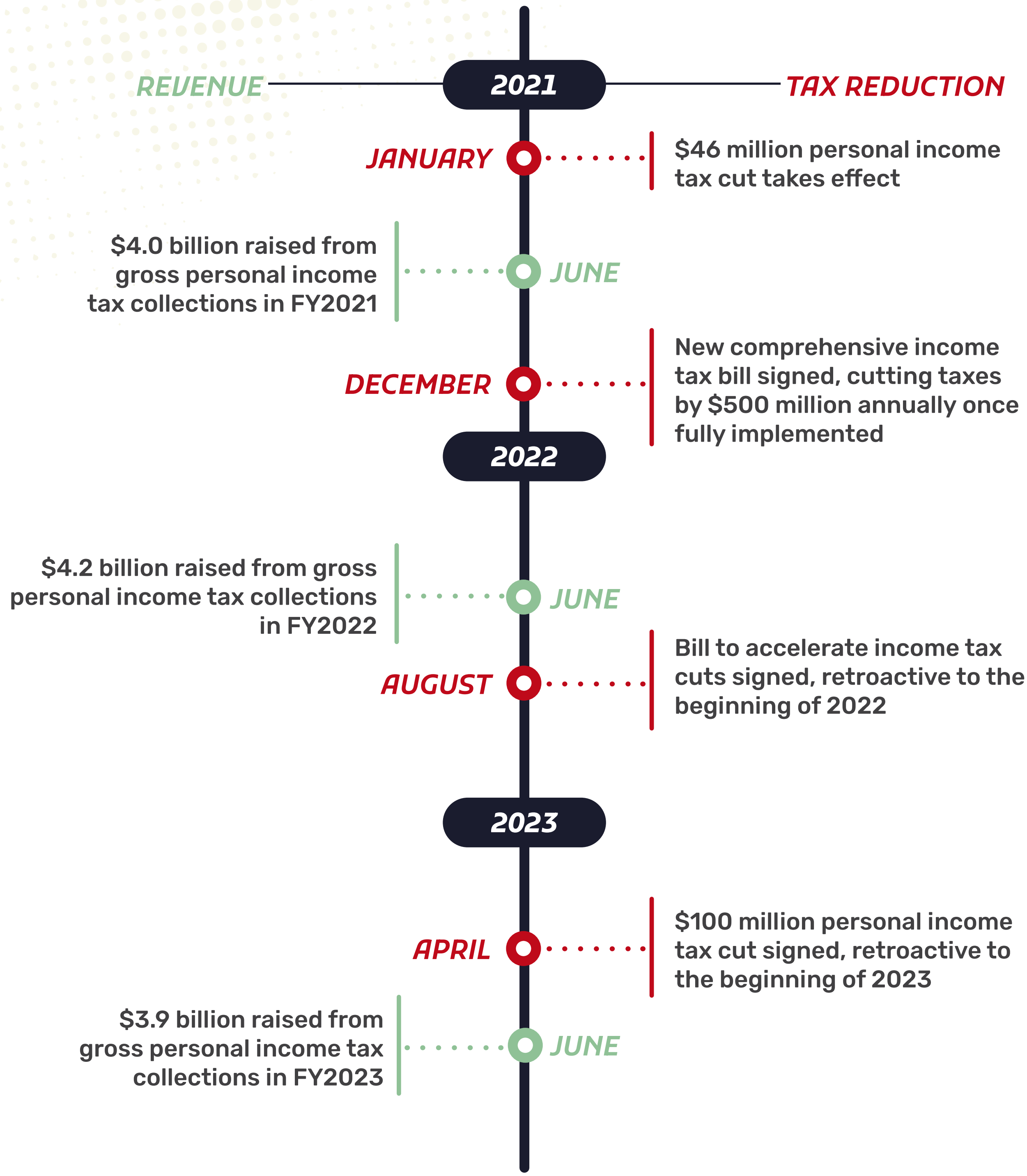
WEST VIRGINIA

- Total general revenue fund collections from the preceding year must exceed inflation-adjusted base revenues.[30]

These states have formulated innovative thresholds based on revenue collection triggers, budget stabilization targets, pension fund balances, and more to carefully phase in income tax cuts.

Given the size and scope of Arkansas's recent general revenue surpluses, there is no reason it cannot join the ranks of the states that have already adopted these types of trigger mechanisms.

ARKANSAS'S INCOME TAX COLLECTIONS HAVE REMAINED STEADY EVEN AFTER SIGNIFICANT RATE REDUCTIONS



Sources: State of Arkansas, Arkansas Democrat-Gazette

Arkansas could set target thresholds for future budget surpluses that are tied to incremental reductions in the income tax, based on the proven approaches of peer states. This would prevent policymakers from having to guess at the appropriate income tax reduction for each one-time surplus, instead allowing automatic economic and revenue-driven triggers to do the work for them. It would also help reduce the temptation for policymakers to spend the surpluses rather than reinvest them into tax cuts, i.e. back into workers' paychecks.

If the economy and revenues are booming, taxes would go down automatically and taxpayers would receive a tax cut. In the event the economy turns sour and revenue collections fall, the tax reductions would be paused. It is a low-risk, high-reward strategy that could yield big results.

Automatically assigning surpluses to tax cuts is a tested and proven way the state can and should accelerate its efforts to wind down the personal income tax.

STRATEGY #2: LIMIT FUTURE SPENDING INCREASES

To phase out the income tax more quickly, policymakers must also slow the growth of state spending. State government should have to live within its means just like Arkansans have to every single day. While state spending has not grown massively in recent years, it has grown steadily—and this growth comes at the cost of additional income tax cuts that would help struggling Arkansas families.

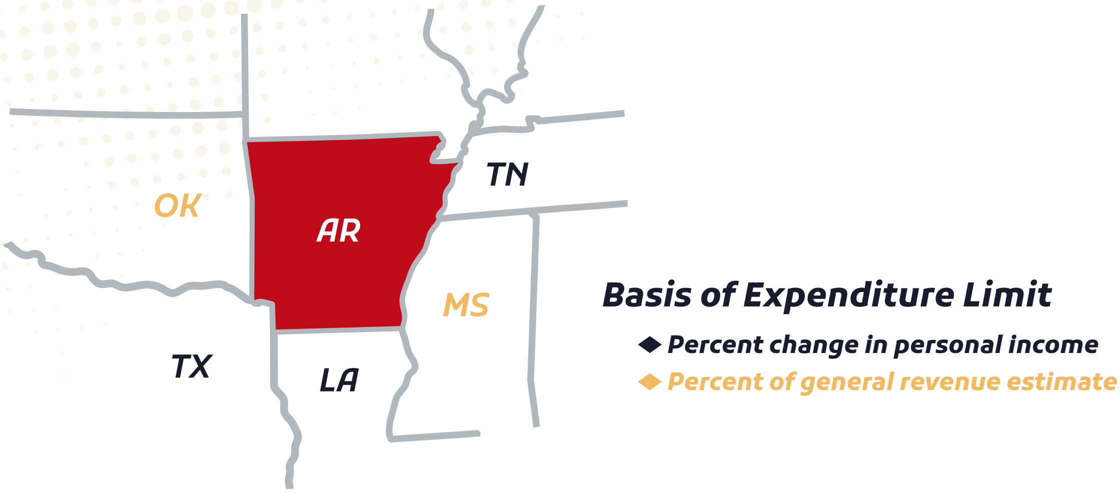
From 2000 to 2020, Arkansas's state spending grew faster than both personal income and GDP—an unsustainable trajectory.[31] While federal spending is itself a challenge and Arkansas is more and more dependent on the federal government, state-only spending is also increasingly becoming a problem. In Arkansas, nearly two out of every three dollars spent by the state government is raised directly from Arkansans.[32]

Expenditures over the last 10 years perfectly illustrate state government's addiction to spending. Not only has the state budget ballooned from roughly $21 billion to nearly $34 billion, but the non-federal share (e.g., the portion derived entirely from state taxpayers) has also increased by more than 40 percent over the same period.[33]

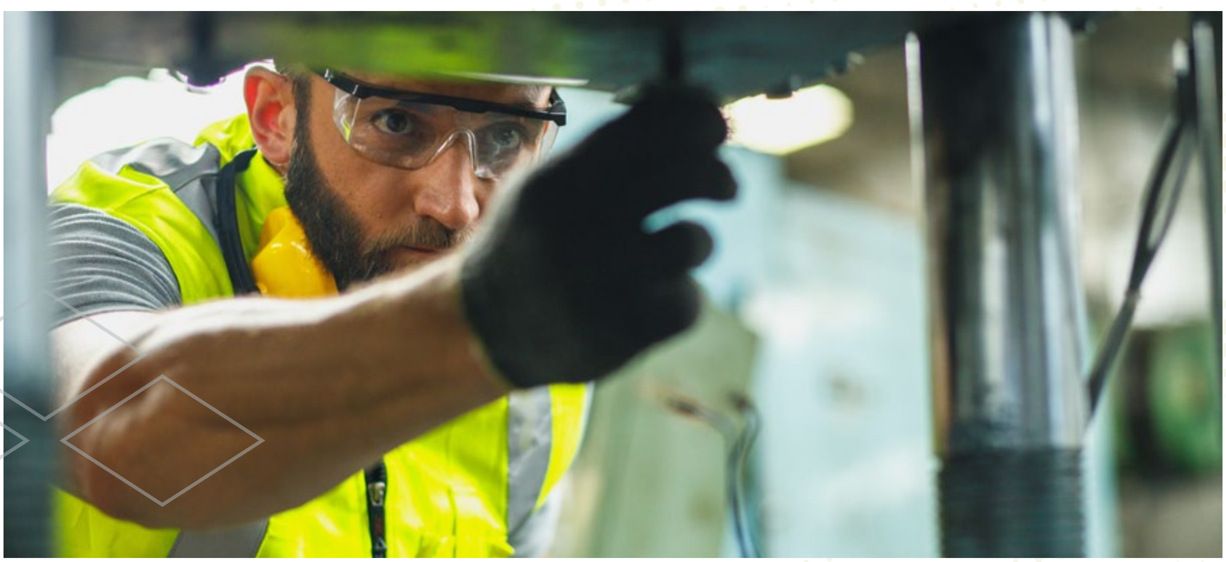
Meanwhile, the overwhelming majority of states nationwide currently have statutory or constitutional provisions in place that limit a given year's increase in state government spending. Arkansas does not.[34]

In fact, all but one of Arkansas's neighbors have a limit on annual state spending, broadly separated into two categories: limits based on the percent change in personal income from year to year and limits based on projected revenues for the next fiscal year.[35-39]

MOST OF ARKANSAS'S NEIGHBORS HAVE SPENDING LIMITS IN PLACE



Arkansas can and should tie its general revenue spending to personal income growth in order to ensure that state government does not grow faster than Arkansans can afford, and to accelerate income tax repeal.



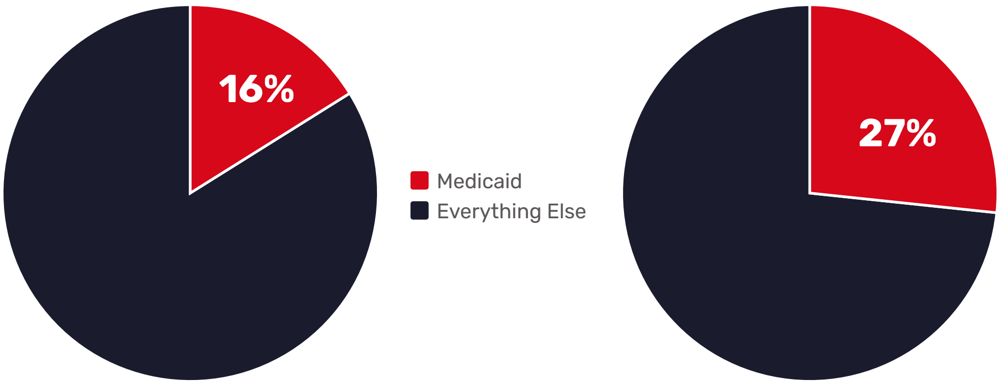
STRATEGY #3: GET MAJOR BUDGET ITEMS UNDER CONTROL

While critically important, constraining spending and dedicating a portion of future surpluses to incremental tax relief are more long-term solutions. But major structural reforms are also needed right now to address the state's out-of-control budget items.

Chief among them is Medicaid, which consumes more than one in every four dollars the state spends.[40] In fact, Arkansas's Medicaid spending growth has far surpassed the growth of every single neighboring state, and even the state share of Medicaid spending alone more than *tripled* between 2000 and 2020.[41]

MEDICAID DOMINATES ARKANSAS'S BUDGET

Function Spending as a Percent of Total Budgetary Expenditures in both FY2000 and FY2020



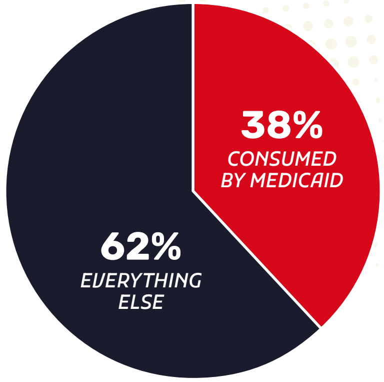
Source: NASBO

Astonishingly, Arkansas's state-only Medicaid spending consumed nearly 40 percent of the state's income tax revenue in FY2022.[42] In other words, instead of going toward income tax relief—or other important budget priorities like education, public safety, or infrastructure—nearly half of income tax revenue was devoured by Medicaid spending.

Without a doubt, income tax phase out cannot and will not happen without meaningful Medicaid reform.

ARKANSAS'S STATE MEDICAID SPENDING IS EQUIVALENT TO NEARLY 40 PERCENT OF INCOME TAX REVENUE

Arkansas State-Only Medicaid Spending as a Percent of Income Tax Revenue



Sources: NASBO, Arkansas Department of Finance and Administration

Two primary drivers of Arkansas's out-of-control medicaid spending are 1) The structure of the state's Medicaid expansion, which is uniquely expensive and poor designed, and 2) The provider payment model used for traditional Medicaid.

Arkansas uses a so-called "private option" model for Medicaid expansion, in which able-bodied adults making up to 138 percent of the federal poverty level are placed in qualified health plans (QHPs, or private insurance plans) rather than conventional Medicaid. These QHPs are roughly twice as expensive as conventional expansion and this approach has been abandoned in every other state where it has been attempted.[43-44] Unfortunately, Arkansas is still latching onto it.

While transformational Medicaid reform will have to wait until a new presidential administration takes the reins in Washington, D.C., Arkansas could capture *significant* savings overnight by scrapping its failed and costly private insurance delivery system in its ObamaCare expansion.

Realistic estimates suggest **the state would save between $56.2 and $101 million per year in state-only Medicaid spending, or a midpoint of approximately $78.6 million.**[45] These significant, recurring savings could be immediately applied to additional income tax relief.

Notably, the state would not need to revoke Medicaid coverage from any eligible enrollee. It would simply need to transfer them off of an outdated, expensive model that has been abandoned everywhere else it has been tried and onto conventional Medicaid.

While eliminating the private option should be a top priority in reforming Arkansas's Medicaid program, policymakers may wish to consider that Arkansas is one of just seven states that places a majority of its total Medicaid enrollees in fee-for-service (FFS) Medicaid, in contrast to the more prevalent delivery structure that uses managed care organizations (MCOs).[46]

MCOs are typically more efficient payment delivery structures with improved access, reduced utilization of costly services, enhanced provider accountability, and more.[47] Savings from transitioning to a MCO range from as low as 2.2 percent of FFS costs to a high of 20 percent of FFS costs.[48] Assuming a midpoint of approximately 11.1 percent suggests savings of roughly $133.1 million annually.[49] (Notably, these estimates are based on 2022 fee-for-service expenditures. If the expansion population were moved into the FFS program as proposed above, the savings would be even greater.)

Regardless of which delivery system it chooses, Arkansas simply cannot eliminate its income tax by ignoring the largest line item in its budget. Both long-term and short-term Medicaid reform must be on the table.

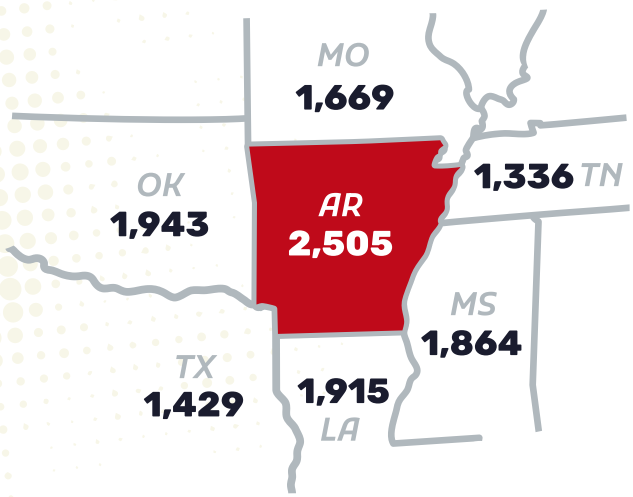
STRATEGY #4: DRAIN THE BLOATED LITTLE ROCK BUREAUCRACY

Arkansas should also tackle its ever-growing, out-of-control state government workforce, which has soared to record levels. As of August 2023, Arkansas has more than 2,500 state employees per 100,000 residents (including employees of state higher education institutions).[50] **Not only is this more than every single neighboring state, but it is also more than 30 percent higher than the next-highest neighboring state (Oklahoma).**[51]

Adjacent states without an income tax like Tennessee and Texas have state employees per 100,000 counts of 1,336 and 1,429, respectively.[52] These states administer far leaner bureaucracies.

ARKANSAS HAS MORE STATE EMPLOYEES PER 100,000 RESIDENTS THAN ANY OF ITS NEIGHBORS

State Employees Per 100,000 Residents



Source: FRED, Census Bureau

Gov. Sarah Sanders' hiring freeze announced on her first day in office is one effective strategy to get the bureaucracy under control.[53] This policy should remain in effect until Arkansas's state employee per capita count declines to a measure that more closely resembles its neighbors.

However, this is not the only tool to get the state's bloated bureaucracy under control. Policymakers can also achieve recurring savings by:

- Capping state employee salaries to the governor's salary, saving roughly $8.4 million;[54]
- Permanently eliminating 50 percent of open state jobs, resulting in approximately $16.8 million in savings;[55] and
- Decreasing the size of the Department of Finance and Administration's revenue division by one-third on a phased-in basis (a reasonable reduction given the phase out of an income tax to administer), achieving approximately $36.4 million in savings.[56]

Tackling the size and scope of government must be at the forefront of the conversation of eliminating the state income tax.

STRATEGY #5: ELIMINATE WASTEFUL SPENDING

Unfortunately, Arkansas's budget is also not immune to wasteful and duplicative spending. One prominent example is the Quick Action Closing Fund (QACF).

Designed as an economic development tool, the fund provides "incentives" to employers for job creation. Unfortunately, in many cases, it is entirely possible that a company's decision to invest in Arkansas would have proceeded without any economic incentive. In fact, one academic analysis of the QACF found little evidence to support its effectiveness in creating jobs and stimulating the economy.[57]

Nonetheless, in FY2022, roughly $51.9 million was spent on this program that could otherwise be dedicated toward income tax relief *(see Appendix 3)*.[58]

In addition to the QACF, Arkansas has a bevy of other economic incentives that should be reined in. Incentives are ostensibly used to make Arkansas look more attractive to businesses looking to relocate or expand. But as Arkansas improves its business climate by continuing to reduce income taxes, the alleged "need" for incentives will diminish.

In other words, the best incentive Arkansas can offer to businesses and workers is reduced income taxes. But ironically, keeping many of the state's business handouts make the prospect of phasing out the income tax more difficult.

Another example of state government waste is the laundry list of state boards and commissions, many of which have overlapping functions. **There are more than 250 boards and commissions in Arkansas whose expenses quickly add up.**[59]

Some notable examples of potentially redundant and/or unnecessary boards and their annual expenses include:

- **The Arkansas Rice Research & Promotion Board: $8,356,722**[60]
- **The Arkansas Soybean Board: $7,234,707**[61]
- **The Arkansas Spinal Cord Commission: $2,394,986**[62]
- **The Arkansas Beef Council: $956,012**[63]
- **The Arkansas Corn & Grain Sorghum Promotion Board: $753,968**[64]
- **The Arkansas Wheat Promotion Board: $33,962**[65]
- **The Arkansas Catfish Promotion Board: $20,000**[66]

In total, this sample of just seven boards adds up to nearly $20 million in recurring costs.

These types of duplicative and arguably unnecessary expenditures within Arkansas's budget should be placed under a microscope to determine if they are serving their purpose, or whether retiring them and applying the savings to repealing the income tax would be a more efficient use of taxpayer dollars. If they are found to be non-essential, several of these boards could either be retired completely or merged with other similar commissions, such as agriculture-related boards..

STRATEGY #6: SIMPLIFY REVENUE STREAMS

Finally, in addition to surplus and spending reform, Arkansas's tax system is in dire need of significant changes. Perhaps the most pressing area is sales tax exemptions that cost taxpayers billions in the form of giveaways to special interests.

In total, **roughly $2.7 billion worth of sales tax exemptions in Arkansas are given out each year—roughly 85 percent of net income tax revenue.**[67]

While some may argue that these sales tax exemptions lower the cost of inputs for businesses, and thereby lower prices, this is far from proven. Additionally, while the income tax is practically a tax for simply living and working, a sales tax is as close to a "voluntary" tax as possible in that consumers can avoid or shift certain purchases. Moreover, the patchwork of some businesses and industries receiving sales tax exemptions while others remain fully taxed is essentially government picking winners and losers.

Unfortunately, in the 2023 legislative session, the Arkansas legislature compounded this problem, adding another $868,500 worth of recurring sales tax exemptions for obscure items such as "mortality composting devices" and "certain sales by nonprofit youth organizations."[68]

Fortunately, some of the state's long-held sales tax exemptions are broad-based attempts at relief that help many Arkansans. These include the reduced sales tax rate on food, the partial sales tax exemption on used vehicles, and similar exemptions that impact countless Arkansans each year.

However, more than $1 billion each year is given away to special interests via these sales tax loopholes in a manner that does not benefit most Arkansans (*see Appendix 2*).[69] More than $1 billion is given away on exemptions for newspaper advertisements, billboard advertising, qualified museum purchases, and more.

Every dollar that goes toward an exemption or carve-out is a dollar that cannot be used to phase out the income tax.

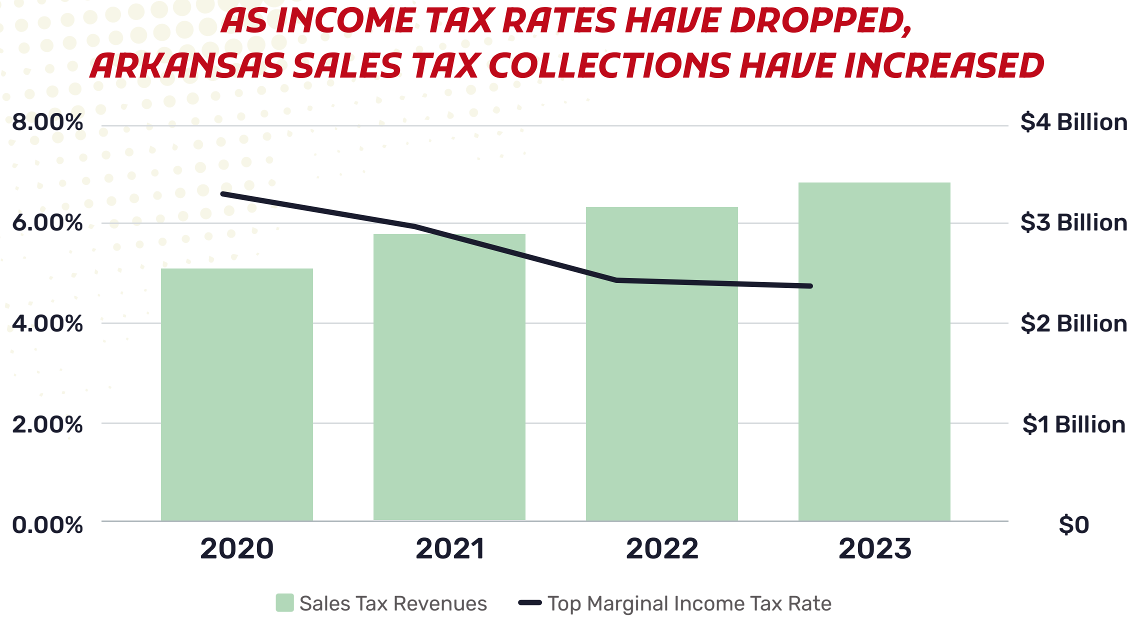
To help preserve resources for the repeal of the state income tax, the legislature should target the elimination of at least $1 billion in unnecessary sales tax exemptions (*see Appendix 2*). Notably, this would still preserve the majority of sales tax exemptions, including those broad-based efforts at relief that impact more Arkansans.

Arkansas can also improve its tax system by leveling the playing field with the taxation of tobacco products. E-cigarettes and vape products are not subject to the same high taxes that tobacco products are. A 2019 e-cigarette tax proposal would have raised $7.1 million in new revenue.[70] Similarly, a 20 percent retail excise tax on cigarettes would raise $94.3 million.[71] These enhanced revenue streams could help pave the way for eliminating the income tax. Even though they would raise revenue, it would be targeted to a smaller group of consumers engaging in unhealthy behavior—which imposes costs on all Arkansans—in exchange for broad-based relief.

Finally, Arkansas can achieve greater parity in its income tax system by repealing the border city exemption, a $36.3 million income tax exemption for the City of Texarkana that unfairly grants a full exemption from the state income tax to one city.[72]

ARKANSAS IS ALREADY SEEING ENORMOUS BENEFIT FROM INCOME TAX REFORM

Arkansas is already seeing the positive economic and revenue effects of reduced income tax rates: **As personal income tax rates have fallen, state sales tax collections have increased.**



Source: Authors' calculations, Arkansas Department of Finance & Administration

Simply by eliminating its income tax, Arkansas could expect to see additional revenue in the neighborhood of $167.8 million attributable to enhanced economic activity through other revenue streams.[73] This would help the state offset any cost of income tax repeal.

THE BOTTOM LINE:
PHASING OUT ARKANSAS'S INCOME TAX IS NECESSARY, POSSIBLE, AND URGENT

Arkansas is in an ongoing competition with its neighboring states to eliminate work-punishing income taxes. Thankfully, Arkansas has already made great progress toward this ultimate goal and is reaping clear benefits for struggling Arkansas families and for taxpayers.

But Arkansas policymakers must resist complacency. Tennessee and Texas are winning the battle for good-paying jobs and high-quality workers. Meanwhile, states like Mississippi, Louisiana, Oklahoma, and Missouri are racing toward no income tax as well. In order to catch up—and keep up—Arkansas must accelerate the rate of progress.

Doing so will keep more money in hardworking Arkansans's pockets, helping them provide for their families and solving Arkansas's worker shortage.

Over the last 30 years, Arkansas has gained wealth from high-tax states—but lost wealth to low-tax states.[74]

Economic analyses in other states show the positive effects of phasing out state income taxes. For example, one analysis estimated that if Illinois eliminated its state income tax, the average household could expect to gain $4,655 per year to their net income, a 5.3 percent increase.[75] Every single income group would benefit, all while poverty would decline.[76] Arkansas should expect to see similar benefits.

It is long past time for Arkansas to finally set itself on a course of eliminating its state income tax, providing much needed relief to Arkansas families and businesses, and emerging as a regional economic powerhouse.

APPENDIX 1: POSSIBLE SPENDING REDUCTIONS AND REVENUE ADJUSTMENTS

(Not Including Applying Revenue from Future Budget Surpluses or the Potential Imposition of a Budgetary Expenditure Threshold)

POLICY	SAVINGS
Apply revenue from future budget surpluses	Unknown
Imposition of a budgetary expenditure threshold	Unknown
Eliminate selected sales tax exemptions (see Appendix 2)	$1,057,400,000
Organic revenue growth	$167,800,000
Move to Medicaid managed care	$135,088,806
Impose a 20 percent retail excise tax on cigarettes	$94,300,000
Eliminate the Medicaid "private option"	$78,600,000
Eliminate the Quick Action Closing Fund (QACF)	$51,914,891
Reduce Department of Finance & Administration Revenue Division budget by one-third	$36,402,884
Eliminate border city income tax exemption for Texarkana	$36,300,000
Delist 50 percent of open state jobs	$16,825,786
Cap state employees' salaries at the governor's salary	$8,400,480
Eliminate Rice Research & Promotion Board	$8,356,722
Eliminate Soybean Board	$7,234,707
Impose a 68 percent e-cigarette tax	$7,100,000
Eliminate Spinal Cord Commission	$2,394,986
Eliminate Beef Council	$956,012
Eliminate Corn & Grain Sorghum Promotion Board	$753,968
Eliminate Wheat Promotion Board	$33,962
Eliminate Catfish Promotion Board	$20,000
TOTAL	**$1,709,883,204**

APPENDIX 2: PROPOSED SALES TAX EXEMPTIONS TO BE ELIMINATED

EXEMPTION NAME	REPEAL SAVINGS (BASED ON FY2024 FIGURES)*
Non-profit/charitable hospital, sanitarium, nursing homes	$141,800,000
Manufacturing machinery and equipment	$135,000,000
Feedstuffs in commercial production of livestock/poultry	$130,800,000
Reduced rate for utilities used by manufacturers	$104,800,000
Agricultural fertilizer, limestone, and chemicals/pesticides	$65,600,000
Sale of livestock	$63,000,000
Aircraft completed in state for use outside Arkansas	$52,700,000
Agricultural machinery and equipment	$32,000,000
Manufacturing repair or replacement parts	$31,500,000
Seed to be used in commercial agriculture production	$31,000,000
Cotton and related products	$30,500,000
Pollution control machinery and equipment	$29,400,000
Consolidated Incentive Act (CIA) - InvestArk sales tax credits	$28,500,000
Vehicles to vehicle-rental businesses	$27,400,000
Railroad parts, cars, and equipment	$17,300,000
Manufactured homes and modular units	$14,500,000
Class 5-8 trucks partially; class 7-8 semi trailers	$14,200,000
Utilities for qualifying agri structures/equipment	$13,200,000
Textbooks and other instructional materials	$11,000,000
Natural gas and electricity to qualified steel manufacturers	$7,400,000
Electricity, NH, LPG for commercial grain drying/storage	$6,400,000

EXEMPTION NAME	REPEAL SAVINGS (BASED ON FY2024 FIGURES)*
Car wash services	$6,200,000
Advertising in newspapers	$6,100,000
Vehicles to cities, counties, colleges, public school districts	$5,500,000
Back-to-school sales tax holiday	$4,100,000
Sales of newspapers	$4,000,000
Water used in poultry farms	$3,800,000
Publications other than newspapers	$3,600,000
Sales to public housing authorities	$3,400,000
Dental appliances	$3,400,000
Athletic event admission at colleges	$3,000,000
Services purchased by radio and TV	$3,000,000
CIA - Tax Back	$2,900,000
Timber harvesting equipment	$2,200,000
Advertising on billboards and buses	$2,000,000
Tourism Development Act	$1,500,000
Agri-wrapping products	$1,400,000
Alternative fuels used in manufacturing operations	$1,400,000
Sales to credit unions	$1,300,000
Athletic event admission at secondary schools	$1,200,000
Natural gas and electricity used in new tire manufacturing	$1,000,000
Sales to regional water distribution districts	$1,000,000
Sales of raw agricultural products	$900,000

EXEMPTION NAME	REPEAL SAVINGS (BASED ON FY2024 FIGURES)*
Vessels/barges/towboats of at least 50 tons load	$700,000
Irrigation pipe	$600,000
Qualified museum purchases	$600,000
Sales to regional airport authority	$500,000
School buses for school districts	$500,000
Non-profit blood donation organizations	$400,000
Sales by canteens on military reservations	$300,000
Livestock reproduction equipment	$200,000
Hospital and medical service corporations	$200,000
Heifer Project International	$200,000
Non-profit humane societies	$200,000
Natural gas in the process of manufacturing glass	$200,000
Parking space charges or fees by state institutions	$200,000
Admissions at state, district, county, or township fairs	$200,000
Habitat for Humanity	$100,000
4-H Clubs and FFA Clubs	$100,000
Salvation Army	$100,000
Boys' and Girls' Clubs	$100,000
Beer kegs	$100,000
Sale of baby chickens	$50,000
Agri water purchases reducing groundwater use	$50,000
Non-profit providing temporary housing to family of patients	$50,000

EXEMPTION NAME	REPEAL SAVINGS (BASED ON FY2024 FIGURES)*
Arkansas Symphony Orchestra Society	$50,000
Boy Scouts/Girl Scouts/Scout Councils	$50,000
Poets Roundtable of Arkansas	$50,000
Community Service Clearinghouse of Fort Smith	$50,000
Gift shops by charitable organizations at for-profit hospitals	$50,000
American Scent Dog Association	$50,000
Alcoholic beverages donated for charitable events	$50,000
PTOs	$50,000
Fuel packaging materials and machinery and equipment	$50,000
Repair or remanufacture of industrial metal rollers	$50,000
Law enforcement aircraft thermal imaging equipment	$50,000
Sale of aircraft by out-of-state sellers and purchasers	$50,000
Aircraft of less than $2,000	$50,000
Vehicles purchased by technical or community colleges	$50,000
Solid waste collection from oil and gas exploration	$50,000
Sales on premises of the Arkansas veterans' home	$50,000
Arkansas Black Hall of Fame Foundation	$50,000
TOTAL	**$1,057,400,000**

*All data retrieved from Arkansas Department of Finance. In instances where a value of <$100,000 was provided, the exemption is assumed to cost an average of $50,000.

APPENDIX 3: DISTRIBUTION OF QUICK ACTION CLOSING FUND (QACF) EXPENDITURES IN FY22

ENTITY	AMOUNT RECEIVED
Big River Steel Holdings, LLC	$50,000,000
SCA Pharmaceuticals, LLC	$750,000
Revolution Plastics Holdings, LLC	$450,000
UP2U Films	$370,197
ASG Films, LLC	$79,711
Caretaker Productions, LLC	$75,938
Bridger Film, LLC	$75,591
Hazardous Duty Movie, LLC	$55,140
Chariot Productions, LLC	$33,214
NBC Universal, LLC	$25,100
TOTAL	**$51,914,891**

Source: Arkansas Department of Commerce

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