

**MINUTES**  
**TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**  
**OCTOBER 3, 2017**

The Tax Reform and Relief Legislative Task Force met Tuesday, October 3, 2017, at 3:00 p.m., in Room A-MAC, Little Rock, Arkansas.

**Task Force members present:** Senators Jim Hendren, chair, Jonathan Dismang, Joyce Elliott, Bart Hester, Missy Irvin, and Larry Teague; Representatives Lane Jean, chair, Jim Dotson, Kenneth B. Ferguson, Joe Jett, Bob Johnson, Mathew Pitsch, and Warwick Sabin.

**Other legislators present:** Senators Ronald Caldwell, Linda Chesterfield, Lance Eads, Jane English, Trent Garner, and Jimmy Hickey, Jr.; Representatives, Fred Allen, David Branscum, Charlie Collins, Carol Dalby, Jon Eubanks, Vivian Flowers, Jack Fortner, Kim Hammer, Ken Henderson, David Hillman, John Maddox, Austin McCollum, Aaron Pilkington, Chris Richey, Laurie Rushing, Johnny Rye, James Sorvillo, Dan Sullivan, Jeff Williams, and Carlton Wing.

Senator Hendren called the meeting to order.

**Consideration to Approve Minutes from the September 7, 2017, Meeting** [Exhibit C]

Representative Jett made a motion to approve minutes from the September 7, 2017, Tax Reform and Relief Legislative Task Force meeting; with a second by Representative Pitsch, the minutes were approved.

**Introductions of Consultants – PFM Group Consulting LLC**

**Mr. Randall Bauer, Project Manager**, stated PFM is a national firm founded in 1975 with 39 offices nationwide. Mr. Bauer introduced PFM team members Ms. Deanna Yocco, Senior Analyst, based in the Philadelphia office; and Ms. Lauren Lowe, Managing Director in Public Financial Management, based in the Memphis office. Mr. Bauer stated that Mr. Andrew Sidamon-Erisoff, Subject Matter Expert, will be available to assist the team on tax policy and administration data collections.

**Presentation and Discussion by PFM Group Consulting LLC** [Exhibit E]

Mr. Bauer gave a PowerPoint presentation of PFM's work with state and local government's tax policy issues. Mr. Bauer presented a schedule and timeline on how the PFM team will work to assist the task force in accumulating comparative state data on taxes relevant to simplifying the state tax code and cut taxes. Mr. Bauer said he reviewed presentations and reports from past legislative tax meetings conducted by the state. He advised several tax policy issues were overlooked and should be examined such as economic development incentives and in-depth comparisons of income tax exemptions, deductions and credits. Mr. Bauer suggested several tax saving options for the task force to consider such as using the Federal Adjusted Gross Income (AGI) base for individual tax filings, using the federal income tax credit to replace the state's low-income tax exemption, and grouping tax exemptions into categories by sales tax, income tax, and property tax. He also suggested the task force consider changing the definition of what is taxed under broad based state sales tax. Mr. Bauer said he will meet with the Department of Finance and Administration (DFA), state agencies, BLR staff, and constitutional offices regarding the state's tax structure and talk with DFA about Amazon sales tax collections and caps on tax exemptions.

Task force members listed objectives for the PFM consulting team to begin work:

- Recommend tax incentives that best help the state economically and financially
- Review the state's current tax burden and benchmark steps to best practice
- Identify how other states successfully simplified their tax structure at broadening the base and lowering individual, corporate, and income tax rates
- Provide a tax table containing "tax definitions"
- Benchmark revenue and tax structure of states similar to Arkansas' economic, demographic, and agricultural characteristics
- Provide examples of states implementing a mission/vision statement on tax reform
- Provide examples of states that reduced their tax rates and broadened their tax base as a result of good business industry and a growing population of taxpayers
- Examine how cutting income taxes for families earning less than \$21,000 will affect the state
- Rank corporate tax, franchise tax, inventory tax, and personal property tax and compare with other states
- Confer with DFA regarding the amount of sales taxes the state receives from Amazon purchases
- Research fiscal impact of eliminating streamline sales tax

**Ms. Yocco** gave an overview of Pew, an analysis group based in Washington D.C., and their research on identifying which states have successfully implemented a plan to evaluate their tax policies on a continual basis, which states are making progress, and which states are trailing behind. According to Pew's National Assessment report, Arkansas conducted regular analysis of tax incentive programs from 2005 to 2013 and determined the evaluations were too technical and abstract. Ms. Yocco stated Pew recommends Arkansas work with the state's legislative audit office or outside experts to establish a reevaluation process.

Senator Hendren announced the next task force meetings will be November 7 and 8, 2017, to discuss excise and sales tax exemptions. He asked task force members to contact the co-chairs regarding tax issues they want to discuss at the meetings. Issues identified to date are:

- In-depth study regarding sales taxes and excise taxes
- How Arkansas' Property Tax compares to other states and discuss property tax reform efforts
- Discuss economic incentives and the impact it has on tax policy and tax revenue
- Consultants bring a synopsis of Oklahoma's tax evaluation plan
- Overview of implementing a state plan and review process regarding the state's tax exemptions and tax incentives over a period of time
- How to make administrative reform simpler to file, collect, and minimize cost
- Discuss criteria to assess tax exemptions as the task force determines how to broaden the base
- Discuss how to categorize sales tax exemptions

Senator Irvin made a motion to authorize the co-chairs to extend the preliminary report due date from December 1, 2017, to December 31, 2017, and, with a second by Senator Elliott, the motion passed.

The meeting adjourned at 3:40 p.m.