

Arkansas Tax Reform and Relief Legislative Task Force
Income Tax Exemption Proposals, May 23-24, 2018

The following items were approved by the Task Force ***as recommendations to be included in the final report:***

- Legislative Review: (Motion by Dotson) Proposal for regularly occurring legislative review process of all individual income tax and corporate tax deductions, exclusions, and credits.
- **Income Tax Proposal #19: Repeal the Throwback Rule**: (Motion by Dotson) Repeal the throwback rule for multistate business income under Arkansas Code § 26-51-716.
- **Income Tax Proposal #20: Single Sales Factor Apportionment**: (Motion by Dotson) Amend the apportionment formula for taxing multistate business income to use a single sales factor apportionment.

The following items were approved by the Task Force ***for further study, development, and consideration,*** regarding sales tax exemptions:

- **Income Tax Proposal #1B: Net Operating Losses**: (Motion by Johnson) Proposal to incrementally increase the carry-forward period on net operating losses for all businesses to twenty (20) years.
- **Income Tax Proposal #5: Individual Income Tax Brackets**: (Motion by Hendren and Jean) Proposal to simplify the individual income tax brackets – waiting on further details.
- **Income Tax Proposal #10 Corporate Income Tax**: (Motion by Dotson) Proposal to simplify corporate income tax brackets and tables.
- **Income Tax Proposal #12: Earned Income Tax Credit**: (Motion by Elliott) Proposal to create a refundable earned income tax credit in an amount equal to 15% of the federal EITC.
- **Income Tax Proposal #16: Standard Deduction**: (Motion by Dotson) Proposal to make the Arkansas standard deduction equal to 0.183% of the federal standard deduction under the TCJA.
- **Income Tax Proposal #18: Tax Triggers**: (Motion by Jett) Proposal to create a tax trigger to reduce the top individual income tax rate to 6% based on the Revenue Stabilization Act.

- **Income Tax Proposal #21: Capital Gains over \$10Million:** (Motion by Hendren) Proposal to repeal the capital gains tax exemption for capital gains over \$10million.
- **Income Tax Proposal #29: Political Contributions:** (Motion by Dotson) Proposal to repeal the income tax credit for contributions made to an approved political action committee.
- **Income Tax Proposal #30: Pass-through Entity Tax:** (Motion by Jett) Proposal to create an optional tax for Arkansas businesses that operate as pass-through entities.
- **WITHDRAWN: Depreciation:** (Motion by Hendren) Proposal to adopt the depreciation schedules and bonus depreciation as set forth in the TCJA.