

Key Points: The 5.9 Tax Plan

- **Improve Competitiveness:** Arkansas' top marginal tax rate is 6.9 percent, which is higher than all surrounding states. This current structure puts the state at a disadvantage. Under this proposal, Arkansas' top marginal rate would drop to 6.6 percent in year one and 5.9 percent the following year. At 5.9 percent, Arkansas' top marginal rate would be less than Louisiana, South Carolina, and Georgia, equal to Missouri, and in line with surrounding states. When you combine a 5.9 percent rate with the state's low cost of doing business and low cost of living, this plan will immediately put Arkansas on a more-competitive economic footing.
- **Commitment to Tax Relief:** Under Governor Hutchinson, the state has enacted record tax cuts of \$100 million in 2015 for middle-income taxpayers (implemented in 2016) and \$50 million in 2017 for low-income taxpayers (implemented in 2019). As a result of those tax cuts, nearly every Arkansas taxpayer has received tax relief. Cutting the top marginal rate is the logical next step in the state's overall goal of reducing the tax burden for ALL citizens, and it will make Arkansas more competitive with surrounding states.
- **Keeping Commitments, Maintaining Momentum:** Reducing Arkansas' top income tax rate will occur in the same year we implement the \$50 million in cuts for low-income taxpayers, as well as the \$61 million cut in sales taxes on groceries. This is keeping our commitment to low-income Arkansans, and it will end – once and for all – the state sales tax on groceries, while balancing our budget and safeguarding future state programs.
- **Innovation and Reform:** The proposed tax plan will harness an innovative 2-4-5.9 tax structure to allow the state to lower its tax rate by a full percentage point for nearly half the cost of earlier proposals, and in two year's time. In addition, the proposal will significantly flatten and simplify the state's top income tax bracket.
- **Prudent Management:** The proposed tax plan will continue our state's landmark tax reform agenda but without cutting funding for major programs like prisons, public schools, or the state's healthcare system. Instead, by choosing to adopt this innovative proposal, Arkansas will be able to achieve a balanced budget and cut a full percentage point from our top tax rates.
- **Pro-Growth, Job-Friendly Tax Policy:** The Legislative Tax Reform Task Force identified a number of state policies that put our businesses at a serious disadvantage. These policies must be changed for Arkansas to tap in to its business potential. While other tax proposals would delay those fixes until well into the future, this plan will allow us to begin implementation as early as 2022.