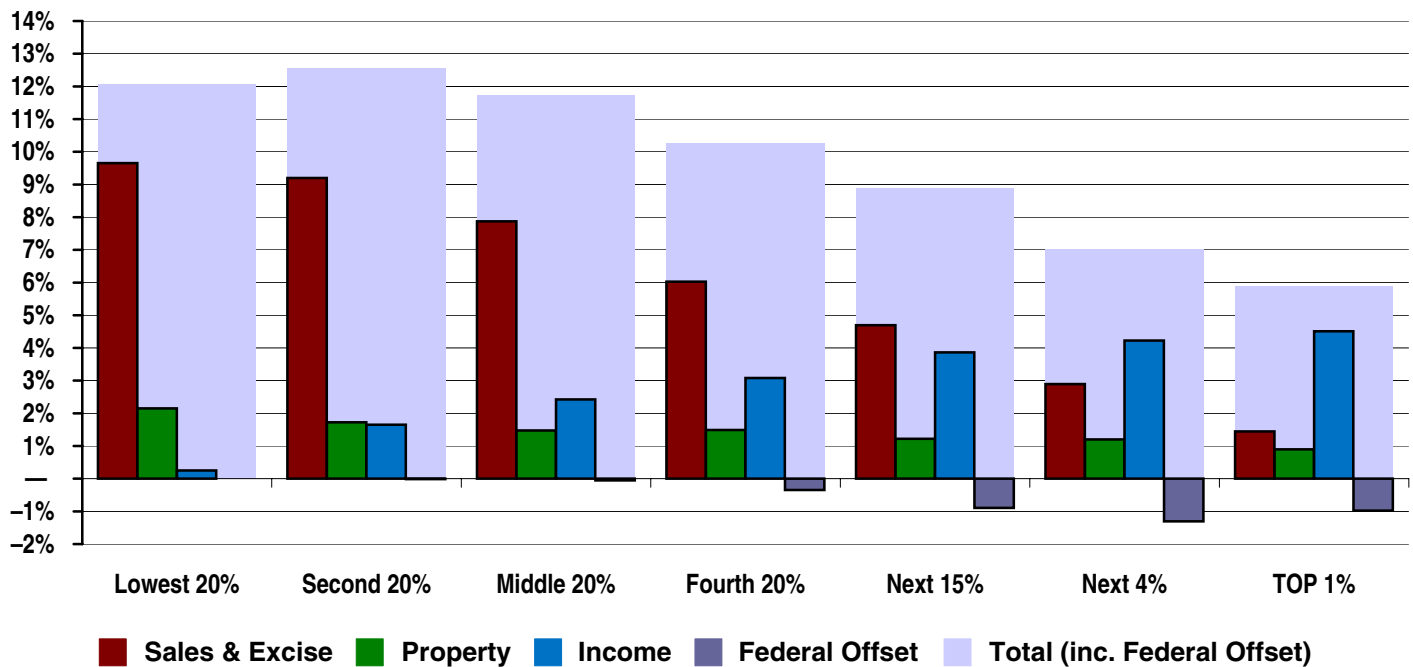


Arkansas

State & Local Taxes in 2007

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$15,000	\$15,000 – \$26,000	\$26,000 – \$42,000	\$42,000 – \$70,000	\$70,000 – \$145,000	\$145,000 – \$368,000	\$368,000 or more
Average Income in Group	\$8,600	\$20,600	\$33,800	\$54,400	\$95,000	\$203,600	\$911,500
Sales & Excise Taxes	9.7%	9.2%	7.9%	6.0%	4.7%	2.9%	1.4%
General Sales—Individuals	5.5%	5.5%	4.9%	3.9%	3.1%	1.9%	1.0%
Other Sales & Excise—Ind.	1.9%	1.6%	1.1%	0.8%	0.6%	0.3%	0.1%
Sales & Excise on Business	2.2%	2.1%	1.8%	1.3%	1.0%	0.6%	0.3%
Property Taxes	2.1%	1.7%	1.5%	1.5%	1.2%	1.2%	0.9%
Property Taxes on Families	2.1%	1.7%	1.4%	1.5%	1.1%	1.0%	0.5%
Other Property Taxes	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.4%
Income Taxes	0.3%	1.6%	2.4%	3.1%	3.9%	4.2%	4.5%
Personal Income Tax	0.2%	1.6%	2.4%	3.1%	3.8%	4.1%	4.3%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%
TOTAL TAXES	12.1%	12.6%	11.8%	10.6%	9.8%	8.3%	6.8%
Federal Deduction Offset	—	-0.0%	-0.1%	-0.3%	-0.9%	-1.3%	-1.0%
TOTAL AFTER OFFSET	12.1%	12.6%	11.7%	10.2%	8.9%	7.0%	5.9%

Note: Table shows 2007 tax law updated to reflect permanent changes in law enacted through October 2009.

Arkansas

State & Local Taxes

Features, Developments, and Comparisons

Progressive Features

- ✓ Income tax uses a graduated rate structure
- ✓ Provides a low-income tax credit linked to the federal poverty level

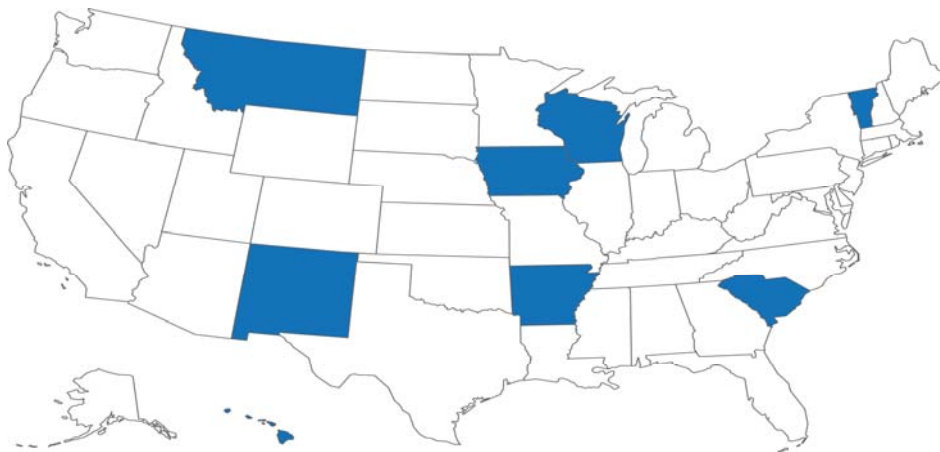
Regressive Features

- ✗ Provides an income tax exclusion equal to 30 percent of capital gains income
- ✗ Comparatively high reliance on sales taxes
- ✗ Fails to use combined reporting as part of its corporate income tax

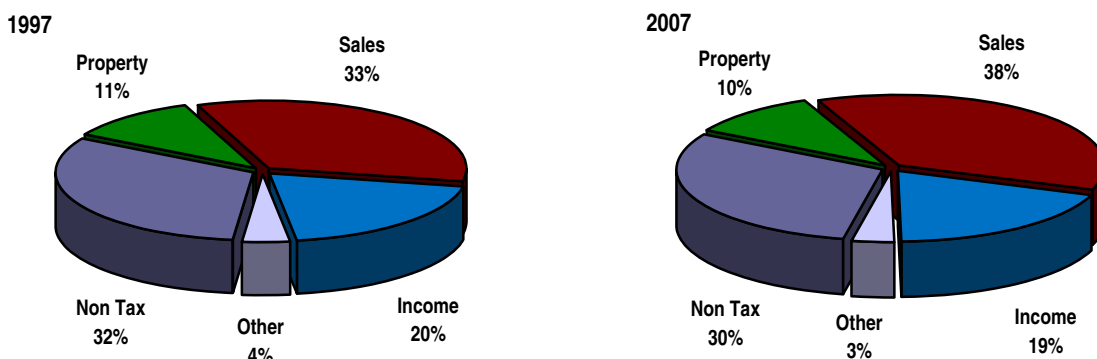
Recent Developments

- ▲ Increased tax filing threshold amounts
- ▲ Reduced sales tax rate for groceries
- ▲ Increased property tax homestead credit to \$350

States with Notable Capital Gains Income Tax Preferences



Change in the Composition of Revenue



Source: U.S. Census Bureau, Government Finances