



March 23, 2021

Arkansas Advocates for Children and Families opposes House Bill 1403, to amend the income tax; and to reduce the rate of tax levied on the top income tax bracket. According to an analysis by the Institute on Taxation and Economic Policy (ITEP), dropping the top income tax rate from 5.9 percent to 5.8 percent would largely benefit the wealthiest Arkansans, with 72 percent of the tax cut going to those earning \$197,000 or more a year.

Drop Top PIT Rate from 5.9% to 5.8%							
2019 Income	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Next 15%	Next 4%	Top 1%
Income	Less than	\$21,000 –	\$35,000 –	\$54,000 –	\$92,000 –	\$197,000 –	\$481,000 –
Range	\$21,000	\$35,000	\$54,000	\$92,000	\$197,000	\$481,000	Or More
Average Income in Group	\$13,000	\$29,000	\$43,000	\$70,000	\$125,000	\$276,000	\$1,487,000
Drop Top PIT Rate from 5.9% to 5.8%							
Tax Change as % of Income			-0.0%	-0.0%	-0.0%	-0.1%	-0.1%
Average Tax Change			-1	-7	-29	-140	-965
% with Income Tax Cut			12%	44%	76%	96%	99%
Avg. Tax Cut for Those w/ Cut			-5	-15	-39	-147	-972
Share of Resident Tax Cut			1%	6%	21%	27%	45%

That means, of the \$27.4 million in revenues lost due to this proposal, about \$20 million would go to about 150,000 Arkansans with the highest incomes, taxpayers making well into the six figures annually. And these same taxpayers already benefited from Act 182 of 2019, which cut their taxes by about \$100 million annually. The nearly 1.8 million Arkansans making less than \$54,000 annually would get less than \$1 million to split between them, including hundreds of thousands of Arkansans making less than \$37,000 that would get nothing at all.

Since Arkansas must maintain a balanced budget, each dollar in lost revenue would mean less money to pay for programs that are critical to the future well-being of Arkansas’s children and families, including funding for high quality pre-k, juvenile justice reform, funding for afterschool and summer programs (the Positive Youth Development Act), K-12 education, and too many others to list.

While Arkansas has a lower unemployment rate than a lot of states, we are still above pre-recession levels of unemployment. And according to [data](#) from the Census Household Pulse Survey, almost 800,000 Arkansans are still struggling to pay their usual household expenses. More than 100,000 renters are struggling to catch up on rent. And hundreds of thousands more are struggling to get enough food to feed their families.

Instead of cutting taxes for the wealthiest Arkansans, we should find better ways to help the hundreds of thousands of Arkansans struggling with economic hardship from the ongoing COVID-19 recession.