



STATE OF ARKANSAS
**Department of Finance
and Administration**

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January 9, 2023

The Honorable Asa Hutchinson, Governor
The Honorable Terry Rice, Co-Chair – Arkansas Legislative Council
The Honorable Jeff Wardlaw, Co-Chair – Arkansas Legislative Council

Dear Gentlemen:

In accordance with Act 819 of 2019 and the biennial reporting requirements described therein, this report estimates the value of each exemption, discount, credit, and deduction available to businesses and individuals in state sales and income tax.

We are providing estimates of the revenue reduction for a six-year period beginning with Fiscal Year 2023 for each exemption in advance of the start of the Regular Session of the 94th General Assembly. Additional analysis is provided for distributional effects for households by income class and industry or business class where the threshold is met as described in Act 819.

Results of the estimates are listed without totals because of the potential overlaps, duplications, and legal barriers in certain classes or categories of exemptions. One such example of significant overlap is the exemption for food purchases with food stamps overlapped by the broader exemption for food purchases for home consumption. Other exemptions are protected by various state and federal laws. Selected subsets of the exemptions could be additive along with their respective six-year projected values.

Distributional analysis is provided for selected exemptions above the size threshold specified in Act 819. Estimates of distributional pattern are based on quintile divisions of household income and purchasing patterns in those cases. Business-related impact distributions are described with several approaches involving both economic and tax base viewpoints, including firm-size distribution.

The material in this report is provided for informational purposes only. I have attempted to provide this information in a format that facilitates your review.

Sincerely,

A handwritten signature in blue ink that reads 'Larry W. Walther'.

Larry W. Walther
Secretary

Department of Finance and Administration



Biennial Report on State Tax Exemptions, Discounts, Credits, and Deductions

A Report to the Governor and the Arkansas Legislative Council

Act 819 of the 2019 Regular Session, 92nd General Assembly

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OVERVIEW

The value of each sales tax and income tax exemption is considered independently which may result in duplication or overlap. For example, the value of food sales to nonprofits for distribution would be included in that specific exemption as well as in the value of the broader partial exemption of food for home consumption. Or the sales to an exempt nonprofit organization may be exempt also under another code section for food, newspapers, vehicles, etc.

The estimated value provided would not necessarily be the same as the amount collected if a specific exemption was eliminated. Actual collections depend on other factors including compliance, actual liability, behavioral changes, timing, change in underlying assumptions, and overlapping exemptions.

Estimates are based on data from many sources. Tax records in the Department of Finance and Administration (DFA) were used when available. However, taxpayers are not required to provide detailed reporting of all transactions or income items subject to these exemptions. Therefore, tax returns do not contain sufficient information to estimate the value of most exemptions. Suitable and applicable data from outside sources, when available, must then be used. These sources may include federal agencies such as the Census Bureau, Internal Revenue Service, U.S. Department of Agriculture, Energy Information Administration, state agencies such as the Department of Education and the Department of Human Services, trade associations, and published studies, reports, and filings.

The value of some exemptions could not be determined due to a combination of absence of related collection data associated with the exemption and no relevant external data. When information for a specific exemption could not be establish, it is identified in the table as “cbe” or cannot be estimated.

The absence of collection data results from having no partial collection activity in the case of partial or fractional exemptions or discounts. Whereas the absence of external economic data associated with the exemption for estimation purposes often relates to the obscure category of activity involved in the exemption. This combination of data limitations is often associated with small niche activities.

A brief description of each exemption is provided but may not include all details necessary to determine eligibility. Legislative members, staff, and taxpayers should always use the full Arkansas Code citation and the DFA’s administrative rules.

Distributional analysis is provided for the exemptions indicated in tables 1 and 2 with an asterisk and can be found in the appendix.

In the case of sales tax estimates, the value of the exemption is based on the state tax rate of 6.5%, unless indicated otherwise. The distribution of the 6.5% tax is to general revenue and several special revenue funds. Individual income tax collections are distributed to general revenue. Corporate income taxes are distributed to general revenue and the Work Force 2000 Development Fund.

Arkansas Tax Exemptions January 2023: Sales and Use Tax

Table 1: Estimated Value of Sales Tax Exemptions

Dollar amounts in millions

	FY23	FY24	FY25	FY26	FY27	FY28
AGRICULTURE EXEMPTIONS						
1) Sales of raw agricultural products	0.8	0.9	0.9	1.0	1.0	1.0
2) Sales of livestock *	60.4	63.0	63.9	64.9	66.1	66.2
3) Sale of baby chickens	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
4) Cotton, seed cotton, lint cotton or baled cotton	30.5	30.5	30.5	30.5	30.5	30.5
5) Seed to be used in the commercial agri production	31.0	31.0	31.0	31.0	31.0	31.0
6) Agricultural machinery and equipment	32.0	32.0	32.0	32.0	32.0	32.0
7) Irrigation pipe	0.6	0.6	0.6	0.6	0.6	0.6
8) Feedstuffs in commercial production of livestock/poultry *	134.6	130.8	129.7	129.5	130.2	130.5
9) Agricultural fertilizer, limestone, and chemicals/pesticides *	65.6	65.6	65.6	65.6	65.6	65.6
10) Agricultural water purchases reducing groundwater use	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
11) Agricultural wrapping products	1.4	1.4	1.4	1.5	1.5	1.5
12) Livestock reproduction equipment	0.2	0.2	0.2	0.2	0.2	0.2
13) Timber harvesting equipment	2.2	2.2	2.2	2.2	2.3	2.4
14) Water used in poultry farm	3.6	3.8	3.9	4.0	4.2	4.3
CHARITABLE / NONPROFIT EXEMPTIONS						
15) Sales to credit unions	1.3	1.3	1.4	1.4	1.4	1.5
16) Hospital and Medical Service Corporations	0.2	0.2	0.3	0.3	0.3	0.3
17) Nonprofit/charitable hospital, sanitarium, nursing homes *	136.0	141.8	147.9	154.3	160.9	167.8
18) Nonprofit providing temporary housing to family of patients	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
19) Habitat for Humanity	0.1	0.1	0.1	0.1	0.1	0.2
20) Arkansas Symphony Orchestra Society	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
21) Boy Scouts/Girl Scouts/Scout Councils	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
22) The Poets Roundtable of Arkansas	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
23) Sales by churches and charitable organizations	cbe	cbe	cbe	cbe	cbe	cbe
24) 4-H Clubs and FFA Clubs	0.1	0.1	0.1	0.1	0.1	0.1
25) Salvation Army	0.1	0.1	0.1	0.1	0.1	0.1
26) Heifer Project International, Inc	0.2	0.2	0.2	0.2	0.2	0.2
27) Boys' and Girls' Clubs of America	0.1	0.1	0.1	0.1	0.1	0.1
28) Orphans' homes and Children's homes	0.2	0.2	0.2	0.2	0.2	0.2
29) Community Service Clearinghouse, Inc., of Ft. Smith	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
30) Gift shops by charitable organizations at for-profit hospitals	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
31) American Scent Dog Association, Inc.	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
32) Nonprofit blood donation organizations	0.4	0.4	0.5	0.5	0.5	0.5
33) Food and food ingredients to nonprofit agencies	0.6	0.7	0.7	0.7	0.7	0.7
34) Alcoholic beverages donated for charitable event	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
35) PTOs	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
36) Nonprofit Humane Societies	0.2	0.2	0.2	0.2	0.2	0.2
ENERGY EXEMPTIONS						
37) Electricity, NG, LPG for commercial grain drying/storage	6.8	6.4	6.3	6.4	6.6	6.7
38) Reduced rate for utilities used by manufacturers *	102.1	104.8	107.0	109.3	111.8	114.2
39) Electricity used in the manufacture of aluminum metal	0.0	0.0	0.0	0.0	0.0	0.0
40) Natural gas in the process of manufacturing glass	0.2	0.2	0.2	0.2	0.2	0.2
41) Alternative fuels used in manufacturing operations	1.4	1.4	1.4	1.4	1.5	1.5
42) Gas produced from "biomass"	0.0	0.0	0.0	0.0	0.0	0.0
43) Natural gas and electricity used in tile manufacturing	0.0	0.0	0.0	0.0	0.0	0.0
44) Electricity in production of chemicals used in chlor-alkali	0.0	0.0	0.0	0.0	0.0	0.0

Arkansas Tax Exemptions January 2023: Sales and Use Tax

Table 1 continued: Estimated Value of Sales Tax Exemptions

Dollar amounts in millions

	FY23	FY24	FY25	FY26	FY27	FY28
45) Natural gas and electricity in new tire manufacturing	1.1	1.0	1.0	1.0	1.1	1.1
46) Utilities for qualifying agricultural structures/equipment	13.4	13.2	13.2	13.3	13.6	13.9
47) Natural gas and electricity to qualified steel manufacturers	7.5	7.4	7.5	7.6	7.8	8.0
FEDERAL GOVERNMENT EXEMPTIONS						
48) Sales or rental of medical equipment	cbe	cbe	cbe	cbe	cbe	cbe
49) Food stamps purchases	37.3	32.1	32.1	32.1	32.1	32.1
50) United States Government	cbe	cbe	cbe	cbe	cbe	cbe
INDUSTRIAL EXEMPTIONS						
51) Manufacturing chemicals, catalysts, and reagents	cbe	cbe	cbe	cbe	cbe	cbe
52) Fuel packaging materials and machinery and equipment	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
53) Manufacturing machinery and equipment *	135.3	135.0	136.8	137.1	140.5	144.8
54) Pollution control machinery and equipment	28.4	29.4	30.4	31.5	32.6	33.8
55) Manufacturing repair or replacement parts	30.7	31.5	32.2	32.9	33.7	34.4
56) Repair or remanufacture of industrial metal rollers	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
LOCAL GOVERNMENT EXEMPTIONS						
57) Sales to Regional Water Distributions Districts	1.0	1.0	1.0	1.0	1.0	1.1
58) Sales to Public Housing Authorities	3.4	3.4	3.4	3.4	3.4	3.4
59) Sales to Regional Airport Authority	0.5	0.5	0.5	0.5	0.5	0.5
60) City/county ticket sales	cbe	cbe	cbe	cbe	cbe	cbe
61) Fire protection equipment and emergency equipment	0.4	0.4	0.4	0.4	0.4	0.4
62) Construction supplies/materials in volunteer fire	0.6	0.6	0.6	0.6	0.6	0.6
63) Law enforcement aircraft thermal imaging equipment	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
64) Washer-extractor used by fire department	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
65) Lease of property located at an intermodal authority	cbe	cbe	cbe	cbe	cbe	cbe
SCHOOLS EXEMPTIONS						
66) Parking space charges or fees by state institutions	0.2	0.2	0.2	0.2	0.2	0.2
67) Food in public, common, high school or college cafeterias	9.0	9.2	9.4	9.6	9.8	10.0
68) Athletic event admission at secondary schools	1.2	1.2	1.3	1.3	1.3	1.3
69) Athletic event admission at colleges	3.0	3.0	3.0	3.0	3.0	3.0
70) Textbooks and other instructional materials	10.7	11.0	11.2	11.5	11.7	12.0
MEDICAL EXEMPTIONS						
71) Dental appliances	3.3	3.4	3.5	3.6	3.7	3.7
72) Prescription drugs *	267.2	283.0	299.3	317.4	336.4	356.2
73) Insulin and test strips for blood sugar levels	40.3	41.6	43.1	44.5	46.0	47.6
74) Sales, rentals, or repair of durable medical equipment	21.1	21.7	22.2	22.8	23.3	23.8
MEDIA EXEMPTIONS						
75) Services purchased by radio and television	2.9	3.0	3.0	3.1	3.2	3.2
76) Advertising in newspapers	6.2	6.1	6.1	6.1	6.1	6.1
77) Advertising on billboards and buses	2.0	2.1	2.2	2.3	2.4	2.6
78) Sales of newspapers	4.0	4.0	4.0	4.0	4.0	4.0
79) Publication other than newspapers	3.6	3.6	3.6	3.6	3.6	3.6
MOTOR FUEL EXEMPTIONS						
80) Gasoline or motor vehicle fuel *	499.1	467.4	444.8	452.1	463.5	471.9
81) Special fuel or petroleum	14.0	13.2	12.7	12.9	13.2	13.4
82) Dyed diesel	38.3	36.3	34.9	35.4	36.2	36.8
83) Motor fuel for buses	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1

Arkansas Tax Exemptions January 2023: Sales and Use Tax

Table 1 continued: Estimated Value of Sales Tax Exemptions

Dollar amounts in millions

	FY23	FY24	FY25	FY26	FY27	FY28
MOTOR VEHICLE EXEMPTIONS						
84) Aircraft held for resale used in charter service	cbe	cbe	cbe	cbe	cbe	cbe
85) Sale of aircraft by out-of-state sellers and purchasers	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
86) Aircraft of less than \$2,000	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
87) Aircraft completed in state for use outside Arkansas *	52.7	52.7	52.7	52.7	52.7	52.7
88) Vehicles and adaptive equipment to disabled veterans	0.2	0.2	0.2	0.2	0.2	0.2
89) Vehicles to cities, counties, colleges, public-school districts	5.3	5.5	5.6	5.7	5.8	6.0
90) School buses for school districts	0.5	0.5	0.6	0.6	0.6	0.6
91) New vehicles for transportation under DHS programs	cbe	cbe	cbe	cbe	cbe	cbe
92) Class 5-8 trucks partially; class 7-8 semi trailers	13.8	14.2	14.5	14.8	15.1	15.5
93) Reduced rate (3.5%) for used vehicles	12.7	13.1	13.4	13.7	13.0	14.3
94) Vehicles or trailers less than \$4,000	31.9	32.7	33.4	34.2	35.0	35.7
95) Vehicles to vehicle-rental business	26.7	27.4	28.0	28.6	29.2	29.9
96) Vehicles purchased by technical or community colleges	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
OTHER EXEMPTIONS						
97) Sales by canteens on military reservations	0.3	0.3	0.3	0.3	0.4	0.4
98) Beer kegs	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
99) Railroad parts, cars, and equipment	16.8	17.3	17.6	18.0	18.4	18.8
100) Certain telecommunication services	cbe	cbe	cbe	cbe	cbe	cbe
101) Solid waste collection from oil and gas exploration	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
102) Food/food ingredients (reduced rate of 0.125%) *	402.0	412.6	421.2	430.5	440.1	449.9
103) Withdrawals from stock	cbe	cbe	cbe	cbe	cbe	cbe
104) Admissions at state, district, county or township fairs	0.2	0.2	0.2	0.2	0.2	0.2
105) Isolated sales	cbe	cbe	cbe	cbe	cbe	cbe
106) Sales of food to governmental agencies	cbe	cbe	cbe	cbe	cbe	cbe
107) Used property taken in trade	cbe	cbe	cbe	cbe	cbe	cbe
108) Sales on premise of the Arkansas Veterans' Home	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
109) Automobile parts constituting core charges	cbe	cbe	cbe	cbe	cbe	cbe
110) Transfer of fill material	cbe	cbe	cbe	cbe	cbe	cbe
111) Arkansas Black Hall of Fame Foundation	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
112) Car wash	6.0	6.2	6.3	6.5	6.6	6.8
113) Sand and proppants used for oil and gas wells	0.0	0.0	0.0	0.0	0.0	0.0
114) Vessels/barges/towboats of at least 50 tons load	0.7	0.7	0.7	0.7	0.8	0.8
115) First 500 kilowatt hours of electricity	1.5	1.5	1.5	1.5	1.6	1.6
116) Qualified Museum	0.6	0.6	0.6	0.6	0.6	0.6
117) Back-to-school sales tax holiday	4.0	4.1	4.2	4.3	4.4	4.5
118) Coins, currency, and bullion exemption	2.7	2.7	2.8	2.8	2.9	3.0
119) Materials in construction of certain childcare facilities	0.0	0.0	0.0	0.0	0.0	0.0
120) Manufactured homes and modular	14.1	14.5	14.8	15.1	15.5	15.8
CREDITS AND REFUNDS						
121) Consolidated Incentive Act (CIA) - InvestArk sales tax credits	29.3	28.5	27.9	27.3	26.7	26.2
122) CIA - Tax Back	2.9	2.9	3.0	3.1	3.1	3.2
123) CIA - Targeted Business Tax Back	0.0	0.0	0.0	0.0	0.0	0.0
124) Motor vehicle sold in-lieu of trade	37.0	38.0	38.8	39.6	40.5	41.4
125) Motor vehicle trade-in allowance *	213.9	219.5	224.1	229.0	234.1	239.4
126) Tourism Development Act	1.5	1.5	1.6	1.6	1.7	1.7

cbe: cannot be estimated

AGRICULTURE EXEMPTIONS

1) Ark. Code Ann. § 26-52-401(18)(A)(iii) & (B)(ii)

Exempts raw products from the farm, orchard, or garden, when the sale is made by the producer of the raw products directly to the consumer, including such sales at farmers' markets. Exemption includes Christmas tree farmers but does not include special livestock sales, and sales by florists and nurserymen.

2) Ark. Code Ann. § 26-52-401(18)(A)(iv)

Exempts sales of livestock, poultry, poultry products, and dairy products of producers who own not more than five (5) cows. Exemption does not apply when articles are sold at or from an established business but is intended to include sales by livestock producers of livestock sold at special livestock sales.

3) Ark. Code Ann. § 26-52-401(18)(A)(v)

Exempts sale of baby chickens in Arkansas.

4) Ark. Code Ann. § 26-52-401(18)(A)(i)

Exempts sales of cotton, seed cotton, lint cotton or baled cotton whether compressed or not.

5) Ark. Code Ann. § 26-52-401(18)(A)(ii)

Exempts sales of seed for use in the commercial production of any agricultural product or of seed.

6) Ark. Code Ann. § 26-52-403

Exempts sales of new and used machinery and equipment used exclusively and directly in farming for commercial purposes, including irrigation pipes to carry water from well to crops, implements used to harvest crops; farming includes production of grass sod and nursery products; not included are implements used in production or severance of timber, vehicles subject to registration, airplanes, or hand tools.

7) Ark. Code Ann. § 26-52-403(a)(1)(B)(i)

Exempts sales of irrigation pipe carrying water from the well to the crop as farm equipment.

8) Ark. Code Ann. § 26-52-404(a)

Exempts sales of feedstuffs used in the commercial production of livestock or poultry.

9) Ark. Code Ann. § 26-52-405

Exempts sales of agricultural fertilizer, agricultural limestone, and agricultural chemicals including

pesticides and herbicides used in the commercial production of agricultural products, vaccines and medications used in treating livestock and poultry for commercial production, and ingredients used in the commercial production of yeast.

10) Ark. Code Ann. § 26-52-405(4)

Exempts water purchased from a public surface-water delivery project to reduce dependence on ground water used for agriculture.

11) Ark. Code Ann. § 26-52-408

Exempts bagging, packaging, and tie materials for Arkansas cotton gins; twine in the production of tomato crops; materials used for baling, packaging, tying, wrapping, or sealing animal feed products.

12) Ark. Code Ann. § 26-52-439

Exempts sales of livestock reproduction equipment or substances, including semen and embryos. Livestock means any mammal the products of which ordinarily are used for food or human consumption.

13) Ark. Code Ann. § 26-52-431

Exempts sales of machinery, new and used equipment, and related attachments that are sold to or used by a person engaged primarily in the harvesting of timber.

14) Ark. Code Ann. § 26-52-453

Exempts sale of water used exclusively in a facility used for the commercial production of poultry.

CHARITABLE / NONPROFIT EXEMPTIONS

15) Ark. Code Ann. § 23-35-103

A credit union shall be deemed an institution for savings and, together with all accumulations therein, shall not be subject to taxation except as to real estate owned.

16) Ark. Code Ann. § 23-75-120

Hospital service corporations, medical service corporations, and hospital and medical service corporations, as used in this chapter are exempt from state, county, district, city, and school tax excepting tax on net direct written premiums and certain insurance fees.

17) Ark. Code Ann. § 26-52-401(21)

Exempts sales to a hospital or sanitarium operated for charitable and nonprofit purposes.

18) Ark. Code Ann. § 26-52-401(21)

Exempts sales to nonprofit organizations whose sole purpose is to provide temporary housing to the family of patients in a hospital or sanitarium.

19) Ark. Code Ann. § 26-52-401(31)

Exempts sales to Habitat for Humanity.

20) Ark. Code Ann. § 26-52-401(37)

Exempts sales to the Arkansas Symphony Orchestra Society.

21) Ark. Code Ann. § 26-52-401(7)

Exempts sales to Boy Scouts of America and Girl Scouts of America and any Scout Councils located in Arkansas.

22) Ark. Code Ann. § 26-52-401(9)

Exempts sales to The Poets Roundtable of Arkansas.

23) Ark. Code Ann. § 26-52-401(1) and (2)

Exempts sales by churches and charitable organizations except when the organizations may be engaged in business for profit.

24) Ark. Code Ann. § 26-52-401(10)

Exempts sales to 4-H Clubs and FFA Clubs located in Arkansas, the Arkansas 4-H Foundation, the Arkansas Future Farmers of America Foundation, and the Arkansas Future Farmers of America Association.

25) Ark. Code Ann. § 26-52-401(33)

Exempts sales to the Salvation Army.

26) Ark. Code Ann. § 26-52-401(34)

Exempts sales to Heifer International, Inc.

27) Ark. Code Ann. § 26-52-401(8)

Exempts sales to Boys' and Girls' Clubs of America and any local Councils.

28) Ark. Code Ann. § 26-52-413

Exempts sales to orphans' homes and children's homes in Arkansas not operated for profit and operated by church, religious or other charitable organizations.

29) Ark. Code Ann. § 26-52-424

Exempts sales to the Community Services Clearinghouse, Inc., of Fort Smith.

30) Ark. Code Ann. § 26-52-430(c)(2)

Exempts sales by gift shops operated by charitable organizations at for-profit hospitals.

31) Ark. Code Ann. § 26-52-443

Exempts sales to the American Scent Dog Association, Inc.

32) Ark. Code Ann. § 26-52-449

Exempts sales to a nonprofit blood donation organization that is registered as a blood establishment with the U.S. Food and Drug Administration.

33) Ark. Code Ann. § 26-52-421

Exempts sales of food and food ingredients to nonprofit agencies organized under the Arkansas Nonprofit Corporation Act (Ark. Code Ann. § 4-28-201) for free distribution to the poor and needy.

34) Ark. Code Ann. § 3-4-106

Exempts alcoholic beverages donated and delivered by a manufacturer or wholesaler to a qualified corporation for the purpose of sampling the beverages to determine whether to offer them for sale at its business location; the alcoholic beverage provided under this section may be transported to a personal residence or facility hosting a charitable event for the purposes of sampling.

35) Ark. Code Ann. § 26-52-401(42)(A)

Exempts sales of tangible personal property, specified digital products, digital code, or services by a parent teacher association or similar organization affiliated with a public school.

36) Ark. Code Ann. § 26-52-414

Exempts sales to humane societies not operated for profit and organized under Ark. Code Ann. § 20-19-101 for the prevention of cruelty to animals.

ENERGY EXEMPTIONS

37) Ark. Code Ann. § 25-52-446

Exempts electricity, natural gas, and liquefied

petroleum gas which are separately metered and used for commercial grain drying and storage.

38) Ark. Code Ann. § 26-52-319

Sales of natural gas, electricity, and coal to a manufacturer or cotton gin for use directly in the actual manufacturing process are taxed at a reduced state sales tax rate of 0.625% with distribution of collections to the Conservation Tax Fund (0.125%) and the State Highway Department (0.5% shared with local governments). Sales of natural gas and electricity to a generator of electric power classified within NAICS sector 22 that uses natural gas to operate a new or existing generating facility that uses combined-cycle gas turbine technology are taxed at a reduced state sales tax rate of 1.625% with distribution of collections to the Conservation Tax Fund (0.125%), the State Highway Department (0.5% shared with local governments), and the remaining 1% to general revenue, Property Tax Relief Trust Fund, and Educational Adequacy Fund. Sales remain subject to full local sales tax rate.

39) Ark. Code Ann. § 26-52-401(24)

Exempts sales of electricity used in the manufacture of aluminum metal by the electrolytic reduction process.

40) Ark. Code Ann. § 26-52-423

Exempts sales of natural gas used as fuel in the process of manufacturing glass.

41) Ark. Code Ann. § 26-52-425

Exempts sales of railroad ties, solid waste (except for wood byproducts and chips), used motor oil and other petroleum-based waste, and waste fuel if used as fuel in manufacturing operations.

42) Ark. Code Ann. § 26-52-429(a)

Exempts sale of gas produced from "biomass" and sold for the purpose of generating energy, which is then sold back to the gas producer.

43) Ark. Code Ann. § 26-52-435

Exempts sales of natural gas and electricity used in wall and floor tile manufacturing if construction of the facility began before 1/1/2003.

44) Ark. Code Ann. § 26-52-438

Exempts sale of electricity used for production of

chlorine and other chemicals using a chlor-alkali manufacturing process.

45) Ark. Code Ann. § 26-52-441

Exempts sales of natural gas and electricity used in the manufacture of new tires for motor vehicles licensed for highway use.

46) Ark. Code Ann. § 26-52-450

Exempts utilities used by qualifying agricultural structures and qualifying aquaculture and horticulture equipment. Utilities eligible for the exemption are electricity, natural gas, and liquefied petroleum gas and shall be separately metered.

47) Ark. Code Ann. § 15-4-2403, 26-51-1214, 26-52-903, 26-52-912, Act 1476 of 2013

Exempts sales of natural gas and electricity to qualified manufacturers of steel. Certification depends on beginning production date and amount of investment.

FEDERAL GOVERNMENT EXEMPTIONS

48) Ark. Code Ann. § 26-52-401(20)

Exempts sales or rental of medical equipment by medical equipment suppliers in Arkansas for the benefit of persons enrolled in and eligible for Medicare or Medicaid programs under the federal Social Security Act; applies only to receipts received an organization administering the program pursuant to a contract with the U.S. government.

49) Ark. Code Ann. § 26-52-401(27)(A)

Exempts purchases lawfully made with food stamps or through the Special Supplemental Food Program for women, Infants, and Children (WIC). Under federal law, states may not tax food purchased with food stamps. This exemption shall expire if the exemption becomes no longer required for full participation in the food stamp program and the Special Supplemental Nutrition Program for Women, Infants, and Children.

50) Ark. Code Ann. § 26-52-401(5)

Exempts sales to the United States Government and its agencies.

INDUSTRIAL EXEMPTIONS

51) Ark. Code Ann. § 26-52-401(35)

Exempts sales of chemicals, catalysts, and reagents consumed or used a) in producing articles of commerce at manufacturing facilities; b) by manufacturing facilities to prevent or reduce air or water pollution or contamination which might otherwise result from the operation of the plant or facility.

52) Ark. Code Ann. § 26-52-401(36)

Exempts sales of fuel packaging materials and machinery and equipment (including analytical equipment and chemicals) used in the business of processing hazardous and non-hazardous waste into fuel products.

53) Ark. Code Ann. § 26-52-402(a)(1) and (2)

Exempts sales of machinery and equipment used directly in manufacturing or processing at manufacturing facilities whether to be used to create new manufacturing facilities, expand existing facilities, or substantially replace existing machinery.

54) Ark. Code Ann. § 26-52-402(a)(3) and 26-53-114(a)(3)

Exempts sales of machinery and equipment utilized by manufacturing facilities, cities, or towns in Arkansas to prevent or reduce air or water pollution, including machinery and equipment used in refining petroleum-based products to remove sulfur pollutants.

55) Ark. Code Ann. § 26-52-447

Effective 7/1/2022, exempts manufacturing repair or replacement parts purchased to modify, replace, or repair existing manufacturing machinery and equipment, including molds and dies used directly in manufacturing; also applies to the purchase of labor to install or repair the equipment. Prior to 7/1/2022, gradually reduced tax rates were administered through tax refunds.

56) Ark. Code Ann. § 26-52-301(3)(B)(iv)

Exempts receipts from the repair or remanufacture of industrial metal rollers or platens that have a remanufactured, nonmetallic material covering on all or part of the roller or platen surface which are brought into Arkansas solely and exclusively for the

purpose of being repaired or remanufactured in this state and are then shipped back to the state of origin.

LOCAL GOVERNMENT EXEMPTIONS

57) Ark. Code Ann. § 14-116-405

Public nonprofit regional water distribution districts organized under The Regional Water Distribution District Act (Ark. Code Ann. § 14-116-101) shall be exempt from all excise taxes.

58) Ark. Code Ann. § 14-169-235

The property of a housing authority used exclusively for public purposes and not for profit is declared to be public property, and this property and the authority shall be exempt from all taxes from the state.

59) Ark. Code Ann. § 14-362-121

An authority created under the Regional Airport Act (Ark. Code Ann. § 14-362-101) for the purpose of acquiring, equipping, constructing, maintaining, and operating regional airport shall be exempt from the payment of any taxes or fees to the state, or any subdivision thereof.

60) Ark. Code Ann. § 26-52-411

Exempts sales by municipalities or counties of tickets or admissions to places of amusement or athletic, entertainment, or recreational events.

61) Ark. Code Ann. § 26-52-434(a)

Exempts sales of or repair to fire protection equipment and emergency equipment to be owned by and exclusively used by volunteer fire departments.

62) Ark. Code Ann. § 26-52-434(b)

Exempts sales of construction supplies and materials used in construction and maintenance of volunteer fire departments.

63) Ark. Code Ann. § 26-52-442

Exempts county purchases of law enforcement aircraft thermal imaging equipment.

64) Ark. Code Ann. § 26-52-452

Exempts sales of washer-dryer extractors to fire departments.

65) Ark. Code Ann. § 14-143-121

Sales and use tax exemption for the lessee of property located at an intermodal authority on the lessee's purchase of tangible personal property and services.

SCHOOLS EXEMPTIONS

66) Ark. Code Ann. § 25-17-307(a)(2)(B)

Exempts parking space charges or fees, other than fees for parking for athletic events or other special events, by state institutions.

67) Ark. Code Ann. § 26-52-401(3)

Exempts sales of food in public, common, high school or college cafeterias and lunchrooms operated primarily for teachers and pupils.

68) Ark. Code Ann. § 26-52-412(a)

Exempts sale of tickets for admissions to athletic events and interscholastic activities at public and private elementary and secondary schools in Arkansas.

69) Ark. Code Ann. § 26-52-412(b)

Exempts sale of tickets for admission to athletic events at public or private universities and colleges in Arkansas.

70) Ark. Code Ann. § 26-52-437

Exempts sales of textbooks and other instructional materials purchased by an Arkansas school district or Arkansas public school that receives state funding or purchased by the State of Arkansas for free distribution to Arkansas school districts or Arkansas public schools. Instructional materials may include sheet music, electronics and software, maps, globes, DVDs.

MEDICAL EXEMPTIONS

71) Ark. Code Ann. § 26-52-448

Exempts the sale of dental appliances to or by a dentist, orthodontist, oral surgeon, maxillofacial surgeon, or endodontist from state sales tax. Dental appliances are defined as being made for a specific patient.

72) Ark. Code Ann. § 26-52-406

Exempts sales, purchases, and use of prescription drugs by licensed pharmacists, hospitals, or physicians for human use and oxygen prescribed by a licensed physician for human use. [Estimate assumes tax is paid on the full retail price of the drug regardless of how much of that price is paid out-of-pocket by the consumer]

73) Ark. Code Ann. § 26-52-419

Exempts sales of insulin and test strips for testing human blood sugar levels. (Sales of nonprescription and prescription insulin are included here. It is estimated that about 15% of insulin sales are for older drugs not requiring prescription).

74) Ark. Code Ann. § 26-52-433

Exempts sales, rentals, or repair of durable medical equipment, mobility-enhancing equipment, prosthetic devices, and disposable medical supplies when the items are prescribed by a physician, including podiatrists, prior to purchase.

MEDIA EXEMPTIONS

75) Ark. Code Ann. § 26-52-301(3)(C)(ii)

Exempts services purchased by radio and television companies for use in providing their services.

76) Ark. Code Ann. § 26-52-401(13)(A)

Exempts sales of advertising space in newspapers and publications.

77) Ark. Code Ann. § 26-52-401(13)(B) and (C)

Exempts sales of advertising space through billboard advertising services or on a public transit bus.

78) Ark. Code Ann. § 26-52-401(4)

Exempts sales of newspapers.

79) Ark. Code Ann. § 26-52-401(14)

Exempts sales of publications sold through regular subscription. This estimate does not include newspapers which are estimated elsewhere.

MOTOR FUEL EXEMPTIONS

80) Ark. Code Ann. § 26-52-401(11)(A)(i)

Exempts sales of gasoline or motor vehicle fuel on which the gasoline or motor vehicle fuel tax has been paid to the State of Arkansas. Estimate is based on the retail price.

81) Ark. Code Ann. § 26-52-401(11)(A)(ii)

Exempts sales of special fuel or petroleum products for consumption by vessels, barges, other commercial watercraft, and railroads.

82) Ark. Code Ann. § 26-52-401(11)(A)(iii)

Exempts sales of dyed diesel on which the 6 cents per gallon excise tax levied by Ark. Code Ann. § 26-56-224 has been paid.

83) Ark. Code Ann. § 26-52-417(a)

Exempts sales of motor fuel to owners or operators of motor buses operated on designated streets, according to regular schedules, under municipal franchise, for municipal transportation purposes.

MOTOR VEHICLE EXEMPTIONS

84) Ark. Code Ann. § 26-52-409(a)(2)

Exempts sales for resale of aircraft held and used for rental or charter service for a period not to exceed 1 to 2 years (depending on need for substantial refurbishing) before being resold by the end of the holding period. Rentals of the aircraft and subsequent resale of the aircraft are subject to sales tax.

85) Ark. Code Ann. § 26-52-451

Exempts sale of aircraft within the state if the seller and purchaser are both residents of another state and the aircraft will be based outside of Arkansas; or the seller is in the state but the aircraft will be based outside of Arkansas.

86) Ark. Code Ann. § 26-52-505(b)

Exempts sales of new or used aircraft for less than \$2,000.

87) Ark. Code Ann. § 26-52-505(c)

Exempts sales of new aircraft manufactured or

substantially completed in Arkansas to a purchaser for use exclusively outside Arkansas.

88) Ark. Code Ann. § 26-52-401(6) and 26-52-415

Exempts sales of motor vehicles and adaptive equipment to disabled veterans which was purchased with financial assistance from the Department of Veterans Affairs; sales of new automobiles to a veteran of the U.S. Armed Services who is blind as a result of a service-connected injury with limitation of 1 new automobile every 2 years.

89) Ark. Code Ann. § 26-52-410(a)

Exempts sales of motor vehicles to municipalities, counties, state-supported colleges, state supported college and universities, or public-school districts in Arkansas.

90) Ark. Code Ann. § 26-52-410(b) and (c)

Exempts sales of school buses to school districts in Arkansas or to other purchasers if they exclusively use buses to provide school bus service under contract with an Arkansas school district.

91) Ark. Code Ann. § 26-52-420

Exempts sales of new motor vehicles purchased with Federal Transit Administration funds or purchased by nonprofit organizations for performance of contracts with Department of Human Services. Exemption requires vehicles be used for transportation under DHS programs for the aging, individuals with disabilities, individuals with mental illness, and children and family services, and meet or exceed specifications in state purchasing law.

92) Ark. Code Ann. § 26-52-436

Exempts gross receipts in excess of \$9,150 selling price of truck tractor (Class Five - Class Eight trucks) and gross receipts from the sale of new or used Class 7 and Class 8 semi-trailers.

93) Ark. Code Ann. § 26-52-510

Reduced state sales and use tax rate of 3.5% on sales of used motor vehicles, trailers, and semitrailers with sales price of at least \$4,000 but less than \$10,000.

94) Ark. Code Ann. § 26-52-510(b)(1)(B)

Exempts sales of new or used motor vehicles or trailers if total consideration is less than \$4,000.

95) Ark. Code Ann. § 26-63-302

Exempts sales of motor vehicles to persons engaged in the business of renting licensed motor vehicles if the vehicle is used exclusively for the purpose of rentals for periods of less than 30 days.

96) Ark. Code Ann. § 6-51-101(a)(1)

Exempts motor vehicles purchased by publicly financed technical or community colleges and used exclusively for training purposes.

OTHER EXEMPTIONS

97) Ark. Code Ann. § 12-63-406

Exempts items sold in a canteen located on military property and military reservations located in Arkansas, and which are owned, leased, licensed, operated, occupied, or maintained by the State of Arkansas for the purpose of training the active or reserve military forces of the United States or Arkansas National Guard.

98) Ark. Code Ann. § 25-52-445

Exempts the sale, lease, or rental of a keg that is used to sell beer at wholesale by a wholesale manufacturer of beer.

99) Ark. Code Ann. § 26-52-301(3)(B)(ii)

Exempts receipts from repair or maintenance of railroad parts, railroad cars, and equipment brought into Arkansas solely and exclusively for the purpose of being repaired, refurbished, modified, or converted within this state.

100) Ark. Code Ann. § 26-52-315(b)

Exempts receipts from any interstate or international private communications service; any interstate or international 800 service or 900 service.

101) Ark. Code Ann. § 26-52-316(b)

Exempts from sales tax the collection and disposal of saltwater, drilling fluids, hydraulic fracturing fluids, produced water, pit water, pit mud, and similar materials produced from oil, gas, and other natural resource exploration and development activities except to the extent the materials are disposed of in a landfill permitted under the Arkansas Solid Waste

Management Act, § 8-6-201 et seq., in which case only the landfill disposal fee shall be subject to tax.

102) Ark. Code Ann. § 26-52-317

Sales of food and food ingredients are taxed at the reduced state sales tax rate of 0.125% as of 1/1/2019. Food does not include candy or soft drinks. All collections of state sales tax on food and food ingredients are distributed to the Conservation Tax Fund to be distributed to the Arkansas State Game and Fish Commission, the Department of Parks, Heritage, and Tourism, the Arkansas Division of Heritage, and the Keep Arkansas Beautiful Fund. Sales remain subject to full local sales tax rates.

103) Ark. Code Ann. § 26-52-322

Exempts withdrawals from stock of goods, wares, merchandise, or property (excluding alcoholic beverages or tobacco products) withdrawn for use by a nonprofit organization, public educational institution, nonprofit church, or person who has suffered damage or loss due to a natural disaster. Such withdrawals are valued at \$0.00 for purpose of sales and use tax.

104) Ark. Code Ann. § 26-52-401(15)

Exempts proceeds from gate admissions at state, district, county, or township fairs or at any rodeo if the gate admissions to the rodeo are used exclusively for maintenance and operation of the rodeo and no part of earnings inures to the benefit of private stockholder or individual.

105) Ark. Code Ann. § 26-52-401(17)

Exempts isolated sales not made by an established business or in an established manner. This exemption does not apply to the sale of motor vehicles, trailers, semi-trailers, mobile homes, or airplanes.

106) Ark. Code Ann. § 26-52-401(19)

Exempts sales of food to governmental agencies for free distribution to any public, penal, or eleemosynary institution or for free distribution to the poor and needy.

107) Ark. Code Ann. § 26-52-401(22)

Exempts sales of used property if item was taken in trade and tax was collected on the full purchase price of the new item.

108) Ark. Code Ann. § 26-52-401(25)

Exempts sales of articles sold on the premises of the Arkansas Veterans' Home.

109) Ark. Code Ann. § 26-52-401(26)

Exempts sales of automobile parts which constitute "core charges" which are received for the purpose of securing a trade-in for the article purchased.

110) Ark. Code Ann. § 26-52-401(30)

Exempts fees charged for the transfer of fill material by a business engaged in transporting or delivering fill material, provided such fill material was obtained free of charge by a business engaged in transporting or delivering fill material and the charge to the customer or user is only for delivery.

111) Ark. Code Ann. § 26-52-401(39)

Exempts sales to Arkansas Black Hall of Fame Foundation.

112) Ark. Code Ann. § 26-52-401(41)

Exempts sales of a) tangible personal property, services, specified digital products, and digital codes purchased by "or sold to" a car wash operator for use in self-service bays, automatic car washes, and car wash tunnels; b) car washes and ancillary services by a car wash operator.

113) Ark. Code Ann. § 26-52-402(c)(2)(B)(vi)

Exempts sand and other proppants used to complete a new oil or gas well or to re-complete, redrill, or expand an existing well.

114) Ark. Code Ann. § 26-52-407

Exempts sales and purchases of vessels, barges, and towboats of at least 50 tons load displacement and the parts and labor used in their repair and construction.

115) Ark. Code Ann. § 26-52-416(a)

Exempts the sale of the first 500 kilowatt hours of electricity per month and the franchise taxes billed to each residential customer whose household income is no more than \$12,000 per year.

116) Ark. Code Ann. § 26-52-440

Exempts sales to a "Qualified Museum," including materials for construction, repair, expansion, or operation. A "Qualified Museum" must have a collection for public exhibition with a value greater

than \$100,000,000 in an Arkansas facility opened to the public after 1/1/2005 and prior to 1/1/2013. The aggregate costs of construction and acquisition must exceed \$30 million.

117) Ark. Code Ann. § 26-52-444

Exempts sales of school supplies, clothing (less than \$100), clothing accessories (less than \$50) and certain electronic devices on the first weekend (Saturday and Sunday) in August.

118) Ark. Code Ann. § 26-52-454

Exempts sales of coins, currency, and bullion that was or is used solely as a medium of exchange, security, or commodity by a state, the United States Government, or a foreign nation, and sold based on its intrinsic value.

119) Ark. Code Ann. § 26-52-516

Exempts construction materials and furnishings for use in the initial construction and equipping of a childcare facility operated by a business for the primary purpose of providing childcare services to their employees.

120) Ark. Code Ann. § 26-52-802

Exempts sales of used mobile homes, manufactured homes, and modular homes. New manufactured homes and new modular homes are taxed on 62% of the gross sales price.

CREDITS AND REFUNDS

121) Ark. Code Ann. § 15-4-2706(c)

Retention tax credit against a qualified business's sales and use tax liability is available only to Arkansas businesses that: Have been in continuous operation in the state for at least two (2) years, Invests a minimum of five million dollars (\$5,000,000) in a project, including land, buildings, and equipment used in the construction, expansion, or modernization, and holds a direct-pay sales and use tax permit from the department before submitting an application for incentives. In accordance with Act 465 of 2017, the InvestArk program sunset on July 1, 2017 with no new applicants for the tax credits being

accepted. Program participants could continue to earn and use tax credits for projects that were applied for prior to the sunset date.

122) Ark. Code Ann. § 15-4-2706(d)

Investment tax incentive to encourage capital investment by businesses for the long-term viability of business in the state and for the creation of new jobs. The award of incentives under this section are at the discretion of the Director of the Arkansas Economic Development Commission.

123) Ark. Code Ann. § 15-4-2706(e)

Investment tax incentive to encourage capital investment by targeted business for the long-term viability of business in the state and for the creation of new jobs. The award of incentives under this section are at the discretion of the Director of the Arkansas Economic Development Commission.

124) Ark. Code Ann. § 26-52-510(b)(1)(C)

Allowance for vehicle sold within 45 days of vehicle purchased.

125) Ark. Code Ann. § 26-52-510(b)(1)(A)

Allowance of vehicle traded for another vehicle.

126) Ark. Code Ann. § 15-11-507

The Director of the Arkansas Economic Development Commission enters into a tourism attraction project agreement and which may entitle the approved company to sales tax credits equal to fifteen percent (15%) of the approved costs. Approved companies located in high-unemployment counties shall receive credits totaling twenty-five percent (25%) of the approved costs. The company must certify that it has expended at least five hundred thousand dollars (\$500,000) in a high-unemployment county and one million dollars (\$1,000,000) in all other counties.

Table 2: Value of Income Tax Credits, Deductions, Exclusions, and Exemptions
Dollar amounts in millions

	FY23	FY24	FY25	FY26	FY27	FY28
INCOME TAX CREDITS						
1) Philanthropic Investment in Arkansas Kids Program Act	2.0	2.0	2.0	2.0	2.0	2.0
2) Existing workforce training	0.0	0.0	0.0	0.0	0.0	0.0
3) Delta Music Trail Act	0.0	0.0	0.0	0.0	0.0	0.0
4) Digital Product and Motion Picture Industry Development	0.8	0.9	0.9	0.9	1.0	1.0
5) AR Public Roads Improvement Credit Act	0.0	0.0	0.0	0.0	0.0	0.0
6) Recycling tax credit-extension	14.3	14.7	15.0	15.3	15.6	16.0
7) Advantage Arkansas Income Tax Credit	0.9	0.9	1.0	1.0	1.0	1.0
8) Ark Plus Income Tax Credit	7.3	7.6	7.7	7.9	8.0	8.0
9) Research and development tax credit	2.0	2.1	2.1	2.2	2.3	2.3
10) In-house research income tax credit	1.7	1.8	1.8	1.8	1.9	1.9
11) In-house research by targeted business	2.5	2.5	2.6	2.6	2.7	2.7
12) Targeted business special incentive	0.0	0.0	0.0	0.0	0.0	0.0
13) Biodiesel Incentive Act	cbe	cbe	cbe	cbe	cbe	cbe
14) Waste Reduction & Recycling Equipment Amendment 82	20.0	20.0	20.0	20.0	20.0	20.0
15) Equity investment tax credit	1.0	1.0	1.0	1.1	1.1	1.1
16) Affordable neighborhood housing credit	4.2	4.3	4.4	4.5	4.6	4.7
17) Venture capital investment	0.0	0.0	0.0	0.0	0.0	0.0
18) Tourism development	0.0	0.0	0.0	0.0	0.0	0.0
19) Family Savings Initiative	0.0	0.0	0.0	0.0	0.0	0.0
20) Phenylketonuria and other metabolic disorders	0.9	0.9	0.9	1.0	1.0	1.0
21) Coal mining credit	0.0	0.0	0.0	0.0	0.0	0.0
22) Low income tax credit	5.4	5.6	5.7	6.0	6.1	6.3
23) Adoption expense credit	1.1	1.2	1.2	1.2	1.2	1.3
24) Personal tax credit *	121.5	124.7	127.3	130.1	133.0	136.0
25) Early childhood program credit	0.1	0.1	0.1	0.1	0.1	0.1
26) Child care credit	5.6	5.7	5.9	6.0	6.0	6.2
27) Individuals with developmental disabilities credit	4.9	5.0	5.1	5.2	5.4	5.5
28) Other state tax credit *	82.7	84.9	86.7	88.6	90.6	92.6
29) Waste reduction, reuse and recycling credit	14.6	15.0	15.3	15.7	16.0	16.4
30) Employer provided child care credit	0.0	0.0	0.0	0.0	0.0	0.0
31) Youth apprenticeship credit	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
32) Rice straw credit	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
33) Arkansas historic rehabilitation	4.2	4.3	4.4	4.5	4.6	4.7
34) Paisley's Law	0.2	0.2	0.2	0.2	0.2	0.2
35) Cold case tax credit	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
36) Water impoundment credit	0.4	0.4	0.4	0.4	0.4	0.4
37) Surface water conversion outside critical areas credit	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
38) Surface water conversion inside critical areas credit	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
39) Land Leveling credit	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
40) Equipment to educational institutions	0.0	0.0	0.0	0.0	0.0	0.0
41) Qualified research expenditures	0.0	0.0	0.0	0.0	0.0	0.0
42) Research Park Authority	0.0	0.0	0.0	0.0	0.0	0.0
43) Wetland & riparian zone credit	0.3	0.3	0.3	0.3	0.3	0.3
44) Low income housing credit	0.7	0.7	0.7	0.8	0.8	0.8
45) Employee tuition reimbursement credit	0.1	0.1	0.1	0.1	0.1	0.1
46) Historic rehabilitation income tax credit	4.2	4.3	4.4	4.5	4.6	4.7

Table 2 continued: Value of Income Tax Credits, Deductions, Exclusions, and Exemptions
Dollar amounts in millions

	FY23	FY24	FY25	FY26	FY27	FY28
47) AR improvement rehab & development	0.0	0.0	0.0	0.0	0.0	0.0
48) Railroad Modernization Act of 2021	4.2	4.3	4.4	4.5	4.6	4.7
49) Logging and wood fiber transportation job creation	5.7	5.8	6.0	6.1	6.2	6.4
50) Political contribution credit	1.0	1.0	1.0	1.0	1.0	1.0
INCOME TAX DEDUCTIONS						
51) NOL - steel manufacturers	cbe	cbe	cbe	cbe	cbe	cbe
52) Electric Utility Storm Recovery Securitization Act	cbe	cbe	cbe	cbe	cbe	cbe
53) Arkansas Brighter Future Plan Act	cbe	cbe	cbe	cbe	cbe	cbe
54) Schedule C business expenses including gambling losses	cbe	cbe	cbe	cbe	cbe	cbe
55) Schedule A business expenses of employee	cbe	cbe	cbe	cbe	cbe	cbe
56) Employee expenses reimbursed by employer	cbe	cbe	cbe	cbe	cbe	cbe
57) Loss from the sale or exchange of property	cbe	cbe	cbe	cbe	cbe	cbe
58) Property held for the production of rents and royalties	cbe	cbe	cbe	cbe	cbe	cbe
59) Certain expenses of life tenants & income beneficiaries	cbe	cbe	cbe	cbe	cbe	cbe
60) Certain portions of lump-sum distributions from pensions	cbe	cbe	cbe	cbe	cbe	cbe
61) Alimony payments	4.1	4.2	4.3	4.4	4.5	4.6
62) Separate maintenance payments	cbe	cbe	cbe	cbe	cbe	cbe
63) Interest forfeited on a premature withdrawal from savings	0.1	0.1	0.1	0.1	0.1	0.1
64) Cash payments to IRA	4.7	4.8	4.9	5.0	5.1	5.2
65) Contributions by self-employed persons to pension plans	9.1	9.4	9.6	9.8	10.0	10.2
66) Border city exemption *	35.3	36.3	37.0	37.8	38.7	39.7
67) Health insurance costs of self-employed persons	14.6	15.0	15.3	15.6	16.0	16.3
68) Contributions to a long-term intergenerational trust	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
69) Contributions to Arkansas Tax-Deferred Tuition Savings Plan	2.2	2.2	2.3	2.3	2.4	2.4
70) Pandemic relief programs	cbe	cbe	cbe	cbe	cbe	cbe
71) Deferred compensation plans	cbe	cbe	cbe	cbe	cbe	cbe
72) Interest *	1,103.0	1,132.0	1,156.0	1,181.0	1,208.0	1,234.0
73) Taxes paid *	269.0	276.0	281.8	288.0	294.4	301.0
74) Alimony	cbe	cbe	cbe	cbe	cbe	cbe
75) Individuals with disabilities	0.5	0.5	0.5	0.5	0.5	0.5
76) Charitable contributions *	348.7	358.0	365.4	373.4	381.8	390.3
77) Artistic, library, and musical donations	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
78) Business expenses	cbe	cbe	cbe	cbe	cbe	cbe
79) Medical and dental expenses *	40.2	41.3	42.2	43.1	44.0	45.0
80) Travel expenses	cbe	cbe	cbe	cbe	cbe	cbe
81) Moving expenses	0.7	0.7	0.7	0.7	0.7	0.7
82) Entertainment expenses	cbe	cbe	cbe	cbe	cbe	cbe
83) Self-employed insurance	14.2	14.6	14.9	15.2	15.6	15.9
84) Student loan interest	2.7	2.8	2.9	2.9	3.0	3.0
85) Environmental expenses	cbe	cbe	cbe	cbe	cbe	cbe
86) Handicap and elderly expenses	cbe	cbe	cbe	cbe	cbe	cbe
87) Related party expenses	cbe	cbe	cbe	cbe	cbe	cbe
88) Reforestation expenses	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
89) Losses	0.3	0.4	0.4	0.4	0.4	0.4
90) Worthless debts *	67.2	69.0	70.5	72.0	73.6	75.2
91) Reserved for bad debts	cbe	cbe	cbe	cbe	cbe	cbe
92) Net operating loss *	88.9	91.2	93.1	95.2	97.3	99.5

Table 2 continued: Value of Income Tax Credits, Deductions, Exclusions, and Exemptions
Dollar amounts in millions

	FY23	FY24	FY25	FY26	FY27	FY28
93) Depreciation *	290.6	298.3	304.5	311.2	318.1	325.2
94) Amortization of goodwill	cbe	cbe	cbe	cbe	cbe	cbe
95) Standard deduction *	67.6	69.4	70.8	72.4	74.0	75.6
96) Miscellaneous itemized deductions *	27.2	28.0	28.5	29.2	29.8	30.5
97) Capitalized costs	cbe	cbe	cbe	cbe	cbe	cbe
98) Start-up costs	cbe	cbe	cbe	cbe	cbe	cbe
99) Organizational expenses	cbe	cbe	cbe	cbe	cbe	cbe
100) Dividend paid deduction *	15.1	15.4	15.8	16.1	16.5	16.8
101) Soil and water conservation	cbe	cbe	cbe	cbe	cbe	cbe
102) Tuition	5.2	5.4	5.5	5.6	5.7	5.9
103) Small business guaranty fees	cbe	cbe	cbe	cbe	cbe	cbe
104) Health savings account	2.6	2.7	2.7	2.8	2.9	3.0
105) Claim of right	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
106) Volunteer firefighter	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
107) Teacher's classroom investment deduction	0.3	0.3	0.3	0.3	0.3	0.3
108) Deduction for project costs above tax credit	cbe	cbe	cbe	cbe	cbe	cbe
109) Steel mill incentive	cbe	cbe	cbe	cbe	cbe	cbe
110) Small business stock capital gains	cbe	cbe	cbe	cbe	cbe	cbe
111) Organ donor deduction	0.1	0.1	0.1	0.1	0.1	0.1
INCOME TAX EXCLUSIONS						
112) Nonresident Income	cbe	cbe	cbe	cbe	cbe	cbe
113) Church passive investment	cbe	cbe	cbe	cbe	cbe	cbe
114) Scholarships, fellowships, and grants	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
115) Gain from involuntary conversion of taxpayer's property	cbe	cbe	cbe	cbe	cbe	cbe
116) Gain on sale of principal residence	cbe	cbe	cbe	cbe	cbe	cbe
117) Certain death benefits	cbe	cbe	cbe	cbe	cbe	cbe
118) Gifts	cbe	cbe	cbe	cbe	cbe	cbe
119) Interest	cbe	cbe	cbe	cbe	cbe	cbe
120) Workers' comp, social security, RR retirement,	cbe	cbe	cbe	cbe	cbe	cbe
121) Parsonage allowance	cbe	cbe	cbe	cbe	cbe	cbe
122) Discharge of indebtedness	cbe	cbe	cbe	cbe	cbe	cbe
123) Cafeteria plan	cbe	cbe	cbe	cbe	cbe	cbe
124) Dependent care assistance	cbe	cbe	cbe	cbe	cbe	cbe
125) Group term life insurance	cbe	cbe	cbe	cbe	cbe	cbe
126) Disability and health plan	cbe	cbe	cbe	cbe	cbe	cbe
127) Moving expenses	cbe	cbe	cbe	cbe	cbe	cbe
128) Meals and lodging	cbe	cbe	cbe	cbe	cbe	cbe
129) Cost-sharing payments	cbe	cbe	cbe	cbe	cbe	cbe
130) Foster care	9.4	9.6	9.8	10.0	10.3	10.5
131) Fringe benefits	cbe	cbe	cbe	cbe	cbe	cbe
132) Education expenses	cbe	cbe	cbe	cbe	cbe	cbe
133) Long-term intergenerational trust	0.2	0.2	0.2	0.2	0.2	0.2
134) Individual development account	cbe	cbe	cbe	cbe	cbe	cbe
135) Medicare Plus Choice MSAs	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
136) Life insurance endowment, and annuity contracts	cbe	cbe	cbe	cbe	cbe	cbe
137) Health savings account	cbe	cbe	cbe	cbe	cbe	cbe
138) Military benefits	0.2	0.2	0.2	0.2	0.2	0.2

Arkansas Tax Exemptions January 2023: Individual and Corporate income Tax

Table 2 continued: Value of Income Tax Credits, Deductions, Exclusions, and Exemptions
Dollar amounts in millions

	FY23	FY24	FY25	FY26	FY27	FY28
139) IRA charitable distributions	cbe	cbe	cbe	cbe	cbe	cbe
140) Exemption for child support payments	13.2	13.5	13.8	14.1	14.4	14.8
141) Elective pass-through entity tax	0.0	0.0	0.0	0.0	0.0	0.0
142) Small business stock	cbe	cbe	cbe	cbe	cbe	cbe
143) Opportunity zones	cbe	cbe	cbe	cbe	cbe	cbe
144) Employer's adoption assistance program	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
INCOME TAX EXEMPTIONS						
145) Disaster response exemption	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
146) Small Business Growth Act of 85	cbe	cbe	cbe	cbe	cbe	cbe
147) Industrial development corps	cbe	cbe	cbe	cbe	cbe	cbe
148) AR development finance corp	cbe	cbe	cbe	cbe	cbe	cbe
149) AR Amendment 82	8.5	8.8	9.0	9.2	9.4	9.6
150) ABLE program	0.6	0.6	0.6	0.6	0.6	0.6
151) Income for churches	cbe	cbe	cbe	cbe	cbe	cbe
152) Political organizations	cbe	cbe	cbe	cbe	cbe	cbe
153) Fraternal benefit societies, orders, or associations	cbe	cbe	cbe	cbe	cbe	cbe
154) Insurance companies	cbe	cbe	cbe	cbe	cbe	cbe
155) Cemetery corporations	cbe	cbe	cbe	cbe	cbe	cbe
156) Nonprofit business leagues, chambers, boards of trade	cbe	cbe	cbe	cbe	cbe	cbe
157) Civic leagues	cbe	cbe	cbe	cbe	cbe	cbe
158) Ditch or irrigation companies	cbe	cbe	cbe	cbe	cbe	cbe
159) Farmer's mutual hail, cyclone, and fire insurance companies	cbe	cbe	cbe	cbe	cbe	cbe
160) Farmers', fruit growers', and like organizations	cbe	cbe	cbe	cbe	cbe	cbe
161) Labor, agricultural, or horticultural organizations	cbe	cbe	cbe	cbe	cbe	cbe
162) Corporations, trusts, community chest, fund or foundation	cbe	cbe	cbe	cbe	cbe	cbe
163) Nonprofit investment income	cbe	cbe	cbe	cbe	cbe	cbe
164) Military income	28.4	29.1	29.7	30.4	31.1	31.8
165) Retirement income *	291.2	298.9	305.1	311.8	318.7	325.9
166) Trust income	cbe	cbe	cbe	cbe	cbe	cbe
167) Foreign income	1.6	1.6	1.6	1.7	1.7	1.8
168) Windmill blade manufacturer	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
169) Windmill blade and component manufacturer	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
170) Biofuels manufacturer	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
171) Agricultural disaster programs	3.2	3.2	3.3	3.4	3.5	3.5
172) Community match rural physician recruitment program	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
173) Dividends received	136.0	136.0	136.0	136.0	136.0	136.0
174) Child support	cbe	cbe	cbe	cbe	cbe	cbe
175) Coverdell Education Savings Account	cbe	cbe	cbe	cbe	cbe	cbe
176) Capital gains (50%)*	98.0	100.6	102.7	105.0	107.3	109.7
177) Capital gain in excess of \$10 million *	36.6	37.6	38.4	39.2	40.1	41.0
178) Capital gain - venture capital investment	cbe	cbe	cbe	cbe	cbe	cbe
179) Military spouse	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1

cbe: cannot be estimated

INCOME TAX CREDITS

1) Ark. Code Ann. § 6-18-2301 et seq.

Non-refundable income tax credit for 100% of eligible contributions to Scholarship-Granting Organizations (SGOs).

2) Ark. Code Ann. § 6-50-701 et seq.

Allows for tax credits to provide financial assistance for employers providing training to existing work force.

3) Ark. Code Ann. § 13-15-302 et seq.

Non-Refundable Income tax credit in an amount equal to the lesser of one hundred percent (100%) of the total qualified expenses stated in a certificate of completion issued by the Arkansas Delta Music Commission or \$25,000.

4) Ark. Code Ann. § 15-4-2003 et seq.

Provides a rebate or tax credit to qualifying production companies that have been approved by the Arkansas Economic Development Commission.

5) Ark. Code Ann. § 15-4-2306

Taxpayer entitled to a credit against any Arkansas Income tax for contributions.

6) Ark. Code Ann. § 15-4-2405(a)

Qualified Steel manufacturer waste reduction, reuse, or recycling equipment tax credit.

7) Ark. Code Ann. § 15-4-2705

Consolidated Incentive Act of 2003- Job-creation tax credit.

8) Ark. Code Ann. § 15-4-2706(b)

Consolidated Incentive Act of 2003- Investment tax incentives.

9) Ark. Code Ann. § 15-4-2708(a)

Consolidated Incentive Act of 2003-Research and development with Universities tax credits.

10) Ark. Code Ann. § 15-4-2708(b)

Consolidated Incentive Act of 2003- Research and development-in-house research tax credit.

11) Ark. Code Ann. § 15-4-2708(c)

Consolidated Incentive Act of 2003- Research and development- targeted business tax credits.

12) Ark. Code Ann. § 15-4-2709

Targeted Business Payroll Income Tax Credit.

13) Ark. Code Ann. § 15-4-2803

Biodiesel Incentive Act Tax Credit for biodiesel suppliers.

14) Ark. Code Ann. § 15-4-3201

Credit for purchase of waste reduction, reuse, or recycling equipment.

15) Ark. Code Ann. § 15-4-3302

Equity Investment Act of 2007 Income tax credit.

16) Ark. Code Ann. § 15-5-1304

Provides for an income tax credit for any business firm engaged in providing affordable housing.

17) Ark. Code Ann. § 15-5-1401

Provides an income tax credit up to \$10 million per fiscal year for providing equity for emerging, expanding, relocating, and restructuring enterprises in the state.

18) Ark. Code Ann. § 15-11-509

Provides an income tax credit is equal to four-percent (4%) of the payroll of the new full-time permanent employees of the approved tourism attraction project.

19) Ark. Code Ann. § 20-86-109

Allows a credit for Arkansas taxpayer who contributes to a fiduciary organization.

20) Ark. Code Ann. § 23-79-702

Allows a credit up to \$2,400 per year, per child for expenses for the purchase of medically necessary foods and low protein modified food products.

21) Ark. Code Ann. § 26-51-211

Economic incentive to mine coal in Arkansas.

22) Ark. Code Ann. § 26-51-301(f)

The credit allows qualifying taxpayers to use the low-income tax table to compute tax using a percentage from the regular tax table.

23) Ark. Code Ann. § 26-51-445

Allows a credit up to 20% of the federal credit allowed pursuant to IRC § 21.

24) Ark. Code Ann. § 26-51-501

Allows a credit of \$26 for each taxpayer, dependent,

over 65, 65 special, blind, deaf, and head of household / qualifying widower. ("65 Special" may be taken by any taxpayer age 65 or older who is not claiming a retirement exemption on their tax return).

25) Ark. Code Ann. § 26-51-502(c)

Allows a credit up to 20% of the federal credit allowed for approved early childhood facility pursuant to IRC § 21. This credit is refundable.

26) Ark. Code Ann. § 26-51-502(a) and (b)

Allows a credit up to 20% of the federal credit allowed pursuant to IRC § 21.

27) Ark. Code Ann. § 26-51-503

Allows a \$500 credit for taxpayers who have dependent(s) with developmental disabilities.

28) Ark. Code Ann. § 26-51-504

Allows a credit for Arkansas residents for income taxes paid to another state on income taxed by both Arkansas and the other state.

29) Ark. Code Ann. § 26-51-506

Economic incentive for investment in equipment used in waste reduction, reuse or recycling.

30) Ark. Code Ann. § 26-51-507 and 508

Allows a credit of 3.9% of the annual salary of employees providing child-care services.

31) Ark. Code Ann. § 26-51-509

Economic incentive for employers to hire persons aged 16 to 21 in apprenticeship program.

32) Ark. Code Ann. § 26-51-512

Economic incentive to purchase rice straw for processing.

33) Ark. Code Ann. § 26-51-513

Arkansas Historic Rehabilitation income tax credit act 26-51-2201 et seq.

34) Ark. Code Ann. § 26-51-515

Individual income tax credit for a stillborn child.

35) Ark. Code Ann. § 26-51-525

Individual income tax credit in the amount of \$3,500 for retired law enforcement officers who work on behalf of the Division of Arkansas State Police to investigate one or more cold cases.

36) Ark. Code Ann. § 26-51-1005

Economic incentive to construct, install or restore water impoundments.

37) Ark. Code Ann. § 26-51-1007

Economic incentive to reduce groundwater use by substitution of surface water.

38) Ark. Code Ann. § 26-51-1008

Economic incentive to reduce groundwater use by substitution of surface water.

39) Ark. Code Ann. § 26-51-1009

Economic incentive for leveling land to preserve irrigation water.

40) Ark. Code Ann. § 26-51-1102(a)

Provides for a tax credit on donations or sales below cost of new machinery and equipment to a qualified educational institution.

41) Ark. Code Ann. § 26-51-1102(b)

Tax credit for donations of sales to education institutions.

42) Ark. Code Ann. § 26-51-1102(c)

Provides a tax credit for donations of sales to education institutions.

43) Ark. Code Ann. § 26-51-1504

Economic incentive for donating land for conservation purposes.

44) Ark. Code Ann. § 26-51-1702

Economic Incentive to invest in low-income housing.

45) Ark. Code Ann. § 26-51-1902

Economic incentive to pay for higher education tuition for employees.

46) Ark. Code Ann. § 26-51-2204

Provides a tax credit for the rehabilitation of historic structures.

47) Ark. Code Ann. § 26-51-2401

Arkansas Central Business Improvement District Rehab and Development Investment Tax Credit Act.

48) Ark. Code Ann. § 26-51-2801 et seq.

Expenditures of an eligible railroad company for track maintenance and modernization.

49) Ark. Code Ann. § 26-51-2704

Logging and Wood Fiber Transportation Job Creation Incentive Act; provides a tax credit for wood energy product and forest maintenance projects.

50) Passed by voters on Nov 5, 1996

Allows a tax credit of up to a \$50 per taxpayer for contributions made to an Arkansas political candidate, action committee, or party.

INCOME TAX DEDUCTIONS

51) Ark. Code Ann. § 15-4-2404

Net Operating Loss deduction may carry forward up to 10 years for steel manufacturers.

52) Ark. Code Ann. § 23-18-910

Conforms Arkansas income tax treatment of storm recovery securitization transactions to the federal income tax treatment.

53) Ark. Code Ann. § 26-51-2509

Provides for a deduction for contributions to tuition-deferred tuition savings program established under Arkansas Brighter Future Plan Act.

54) Ark. Code Ann. § 26-51-403(b)(1)

Trade and business deductions. Includes gambling losses.

55) Ark. Code Ann. § 26-51-403(b)(2)

Trade and business deductions of employee.

56) Ark. Code Ann. § 26-51-403(b)(3)

Employee expenses reimbursed by employer.

57) Ark. Code Ann. § 26-51-403(b)(4)

Loss from the sale or exchange of property deduction.

58) Ark. Code Ann. § 26-51-403(b)(5)

Deduction for property held for the production of rents and royalties.

59) Ark. Code Ann. § 26-51-403(b)(6)

Certain deductions of life tenants and income beneficiaries of property.

60) Ark. Code Ann. § 26-51-403(b)(7)

Deduction for Certain portions of lump-sum distributions from pension plans.

61) Ark. Code Ann. § 26-51-403(b)(9)

Deduction for alimony payments.

62) Ark. Code Ann. § 26-51-403(b)(10)

Deduction for separate maintenance payments.

63) Ark. Code Ann. § 26-51-403(b)(11)

Deduction for interest forfeited on a premature withdrawal from time savings account or deposit.

64) Ark. Code Ann. § 26-51-403(b)(12)

Deduction allowed for cash payments to IRA.

65) Ark. Code Ann. § 26-51-403(b)(13)

Deduction for contributions by self-employed persons to pension, profit-sharing, and annuity plans.

66) Ark. Code Ann. § 26-51-403(b)(14)

Deduction for border city exemption.

67) Ark. Code Ann. § 26-51-403(b)(15)

Deduction for health insurance costs of self-employed persons.

68) Ark. Code Ann. § 26-51-403(b)(16)

Deduction for contributions to a long-term intergenerational trust.

69) Ark. Code Ann. § 26-51-403(b)(17)

Deduction for contributions to the Arkansas Tax-Deferred Tuition Savings Program.

70) Ark. Code Ann. § 26-51-403(b)(32)

Deduction of otherwise allowable expenses incurred using forgiven PPP loans, EIDL grant funds, and CFAP funds.

71) Ark. Code Ann. § 26-51-414(a)(1)

Allows a deduction pursuant to IRC § § 72, 219, 401, 402-404, 406-416, 457 for annuities, retirement savings, and employee benefits.

72) Ark. Code Ann. § 26-51-415

Allows a deduction for interest expense pursuant to IRC § 163.

73) Ark. Code Ann. § 26-51-416

Allows a deduction for certain taxes.

74) Ark. Code Ann. § 26-51-417(b)

Allows a deduction for alimony payments pursuant to IRC § 215.

75) Ark. Code Ann. § 26-51-418

Allows a deduction for the care of individuals with disabilities.

76) Ark. Code Ann. § 26-51-419

Allows a deduction for charitable contributions pursuant to IRC § 170.

77) Ark. Code Ann. § 26-51-422

Allows a deduction for the fair market value of donated artistic, literary, and musical creations to museums, art galleries, or nonprofit charitable organizations.

78) Ark. Code Ann. § 26-51-423(a)(1)

Allows a deduction for trade or business expenses pursuant to IRC § 162.

79) Ark. Code Ann. § 26-51-423(a)(2)

Allows a deduction for medical and dental expenses pursuant to IRC § 123.

80) Ark. Code Ann. § 26-51-423(a)(3)

Allows a deduction for business travel expenses.

81) Ark. Code Ann. § 26-51-423(a)(4)

Allows a deduction for moving expenses in connection with starting new employment at least 50 miles from previous residence pursuant to IRC § 2174.

82) Ark. Code Ann. § 26-51-423(b)

Allows a deduction for business entertainment, amusement, recreation, meals, travel, etc. pursuant to IRC § 274.

83) Ark. Code Ann. § 26-51-423(c)(1)

Allows a deduction for self-employed health insurance premiums pursuant to IRC § 162.

84) Ark. Code Ann. § 26-51-423(d)

Allows a deduction for student loan interest pursuant to IRC § 221.

85) Ark. Code Ann. § 26-51-423(e)

Allows a deduction for the cleanup of certain hazardous substances pursuant to IRC § 198.

86) Ark. Code Ann. § 26-51-423(f)

Allows a deduction to improve access to vehicles and facilities for handicapped and elderly persons pursuant to IRC § 190.

87) Ark. Code Ann. § 26-51-423(g)(1)

Allows a deduction for interest and intangible-related expenses paid to related party under specific conditions.

88) Ark. Code Ann. § 26-51-423(h)

Allows a deduction regarding the amortization of qualified reforestation expenses pursuant to IRC § 194.

89) Ark. Code Ann. § 26-51-424

Deductions for any loss incurred not compensated for by insurance. (Miscellaneous, casualty and theft, and hobby losses).

90) Ark. Code Ann. § 26-51-425

Allows a deduction for debts ascertained to be worthless and charged off the books.

91) Ark. Code Ann. § 26-51-426

Deductions for bad debt expense by banks and savings & loans.

92) Ark. Code Ann. § 26-51-427

Allows a deduction of net operating loss carryover for 10 years for tax year 2021 and later.

93) Ark. Code Ann. § 26-51-428(a)

Allows a deduction for depreciation and the expensing of property pursuant to IRC § § 167, 168 (a)- (j), 179 and 179A.

94) Ark. Code Ann. § 26-51-428(c)

Allows a deduction for depletion of natural resources, oil, and gas wells pursuant to IRC § § 611- 613, 614, 616 and 617.

95) Ark. Code Ann. § 26-51-430

Allows a standard deduction of \$2,200 per taxpayer beginning in tax year 2015.

96) Ark. Code Ann. § 26-51-437

Allows a deduction for miscellaneous itemized deductions.

97) Ark. Code Ann. § 26-51-439(a)

Capitalization and inclusion in inventory costs of certain expenses deduction.

98) Ark. Code Ann. § 26-51-439(b)

Capitalization and amortization of corporations start-up costs deduction.

99) Ark. Code Ann. § 26-51-439(c)

Capitalization and amortization of corporations organization expenses deduction.

100) Ark. Code Ann. § 26-51-440

Dividends paid to qualified "non-captive" real estate investment trusts deduction.

101) Ark. Code Ann. § 26-51-444

Allows a deduction of certain expenditures related to soil and water conservation pursuant to IRC § 175.

102) Ark. Code Ann. § 26-51-447

Allows a deduction for tuition paid to post-secondary educational institutions.

103) Ark. Code Ann. § 26-51-450

Allows a deduction for amounts paid to the United States Small Business Administration as a guaranty fee.

104) Ark. Code Ann. § 26-51-453

Allows a deduction for amount deposited to HSAs pursuant to IRC § 223 (a)-(d), (e)(2), (f) and (g).

105) Ark. Code Ann. § 26-51-457

Allows a deduction for a substantial amount held under a claim of right pursuant to IRC § 1341 (a)(1)-(3) and (b)(2).

106) Ark. Code Ann. § 26-51-458

Allows a deduction for amounts paid by volunteer firefighters and not reimbursed by the fire department to purchase firefighting equipment up to \$1,000 a year.

107) Ark. Code Ann. § 26-51-459(c)

Teacher's qualified classroom investment expenses deduction.

108) Ark. Code Ann. § 26-51-1012

Allows a deduction equal to the project cost less the total amount of tax credits for qualifying taxpayers claiming a credit in ACA 26-51 Subchapter 10

(Water Resource Conservation and Development Incentives Act).

109) Ark. Code Ann. § 26-51-1203

Economic incentive to invest at least \$120 Million in a steel mill in Arkansas.

110) Ark. Code Ann. § 26-51-1801

Allows a deduction for a capital gain on the sale of qualified small business stock.

111) Ark. Code Ann. § 26-51-2103

Allows a deduction up to \$10,000 for living human organ donation.

INCOME TAX EXCLUSIONS

112) Ark. Code Ann. § 26-51-202

Excludes income earned by nonresident while the nonresident is not physically located in Arkansas.

113) Ark. Code Ann. § 26-51-206(b)

Income from rentals or gains on sales of dedicated property held only as a passive investment by a church are excluded from income tax.

114) Ark. Code Ann. § 26-51-404(a)(4)

Excludes qualified scholarships, fellowships, and grants pursuant to IRC § 117 from gross income.

115) Ark. Code Ann. § 26-51-404(b)(1)

Excludes the gain resulting from the involuntary conversion of a taxpayer's property pursuant to IRC § 1033 from gross income.

116) Ark. Code Ann. § 26-51-404(b)(2)

Excludes the gain from the sale or exchange of property owned and used as the taxpayer's principal residence.

117) Ark. Code Ann. § 26-51-404(b)(3)

Excludes the proceeds or benefits paid upon the illness or death of the insured person pursuant to IRC § 101 from gross income.

118) Ark. Code Ann. § 26-51-404(b)(4)

Excludes the value of property acquired by gift, bequest, devise, or descent from gross income.

119) Ark. Code Ann. § 26-51-404(b)(5)

Excludes the interest upon obligations of the U.S. or Arkansas or any political subdivision of Arkansas from gross income.

120) Ark. Code Ann. § 26-51-404(b)(6)

Excludes workers' comp, Social Security payments, railroad benefits, and unemployment compensation from gross income.

121) Ark. Code Ann. § 26-51-404(b)(9)

Excludes the rental value of parsonages from gross income.

122) Ark. Code Ann. § 26-51-404(b)(10)

Excludes the discharge of indebtedness pursuant to IRC § 108 and 1017 from gross income.

123) Ark. Code Ann. § 26-51-404(b)(11)

Excludes payments received under a cafeteria plan pursuant to IRC § 125 from gross income.

124) Ark. Code Ann. § 26-51-404(b)(12)

Excludes dependent care assistance pursuant to IRC § 129 from gross income.

125) Ark. Code Ann. § 26-51-404(b)(13)

Excludes group term life insurance cost pursuant to IRC § 79 from gross income.

126) Ark. Code Ann. § 26-51-404(b)(14)

Excludes disability and health plan payments pursuant to IRC § 1,104, 105, and 106.

127) Ark. Code Ann. § 26-51-404(b)(15)

Excludes moving expense reimbursements pursuant to IRC § 82 from gross income.

128) Ark. Code Ann. § 26-51-404(b)(16)

Excludes meals or lodging pursuant to IRC § 119 from gross income.

129) Ark. Code Ann. § 26-51-404(b)(17)

Excludes from gross income certain cost-sharing payments pursuant to IRC § 126 primarily for the purpose of conserving soil, water or restoring environment, forests, and protecting wildlife habitats.

130) Ark. Code Ann. § 26-51-404(b)(18)

Excludes qualified foster care payments pursuant to IRC § 131 for gross income.

131) Ark. Code Ann. § 26-51-404(b)(19)

Excludes certain fringe benefits pursuant to IRC § 132 from gross income.

132) Ark. Code Ann. § 26-51-404(b)(20)

Excludes education expenses paid by an employer pursuant to IRC § 127 from gross income.

133) Ark. Code Ann. § 26-51-404(b)(21)

Excludes interest, dividends, and capital gains recognized on a long-term intergenerational trust from gross income.

134) Ark. Code Ann. § 26-51-404(b)(22)

Excludes interest and dividends earned on an individual development account and matching funds deposited from gross income.

135) Ark. Code Ann. § 26-51-404(b)(23)

Excludes Medicare Plus Choice medical savings accounts pursuant to IRC § 138 from gross income.

136) Ark. Code Ann. § 26-51-404(b)(24)

Excludes certain proceeds received under life insurance, endowment, and annuity contracts pursuant to IRC § 72 from gross income.

137) Ark. Code Ann. § 26-51-404(b)(26)

Excludes contributions by an employer to an employee's HSA from gross income.

138) Ark. Code Ann. § 26-51-404(b)(27)

Excludes qualified military benefits pursuant to IRC § 134 from gross income.

139) Ark. Code Ann. § 26-51-404(b)(28)

Excludes distributions from IRAs for charitable purposes pursuant to IRC § 408 (d)(8) from gross income

140) Ark. Code Ann. § 26-51-404(b)(29)

Excludes child support payments from income.

141) Ark. Code Ann. § 26-51-404(b)(31)

Excludes income from-pass through entities from the income of the entity's members if the entity has elected to pay the voluntary pass-through entity tax.

142) Ark. Code Ann. § 26-51-815(c)

Excludes the gain from certain small business stock pursuant to IRC § 1202 from income tax.

143) Ark. Code Ann. § 26-51-460

Certain capital gains from investment in opportunity zones as defined by 26 USC 1400Z-2.

144) Ark. Code Ann. § 26-51-4707(b)(25)

Excludes benefits received under an employer's adoption assistance program pursuant to IRC § 137 from gross income.

INCOME TAX EXEMPTIONS

145) Ark. Code Ann. § 12-88-101 to 109

Exempts out-of-state business and employees from certain taxes and regulations during a disaster period.

146) Ark. Code Ann. § 15-4-413

Bonds issued and interest on bonds exempt.

147) Ark. Code Ann. § 15-4-524

Interest on bonds or other obligations under the act are exempt

148) Ark. Code Ann. § 15-4-925

Interest on bonds or other obligations under the act are exempt.

149) Ark. Code Ann. § 15-4-3216

Bonds issued and interest earned on the bonds for Amendment 82 projects are exempt from tax.

150) Ark. Code Ann. § 20-3-111

Exempts interest, dividends, and capital gains from funds invested in the ABLE Program and qualified distributions from income tax.

151) Ark. Code Ann. § 26-51-206

Income from interest on the savings and investments from dedicated funds, from the sale of dedicated church property, and from rental of dedicated church property.

152) Ark. Code Ann. § 26-51-303(a)(10)

Exempts political organizations from tax.

153) Ark. Code Ann. § 26-51-303(a)(1)

Exempts Organizations and Fraternities Operating Under the Lodge System.

154) Ark. Code Ann. § 26-51-303(a)(2)

Domestic Life and Disability Insurance Companies and Foreign Insurance Companies are exempt from tax.

155) Ark. Code Ann. § 26-51-303(a)(3)

Cemeteries are exempt from paying income tax.

156) Ark. Code Ann. § 26-51-303(a)(4)

Nonprofit business leagues, chambers of commerce, and boards of trade are exempt from tax.

157) Ark. Code Ann. § 26-51-303(a)(5)

Nonprofit Civic Leagues or organizations operated for the promotion of social welfare are exempt.

158) Ark. Code Ann. § 26-51-303(a)(6)

Exempts mutual ditch or irrigation companies if 85% of more of the income consists of assessments, dues, and fees collected from members for the purpose of meeting losses and expenses.

159) Ark. Code Ann. § 26-51-303(a)(6)

Exempts certain insurance companies if 85% or more of the income consists of assessments, dues, and fees collected from members for the purpose of meeting losses and expenses.

160) Ark. Code Ann. § 26-51-303(a)(7)

Exempts farmers and fruit growers organizations organized and operated as sales agents for the purpose of marketing the products of members and returning to the members the proceeds of sales on the basis of the quantity of produce furnished by the member.

161) Ark. Code Ann. § 26-51-303(a)(8)

Exempts labor, agricultural, or horticultural organizations.

162) Ark. Code Ann. § 26-51-303(a)(9)

Exempts corporations, trust, community chest, fund, or foundations organized and operated for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.

163) Ark. Code Ann. § 26-51-304

Exempts income from investments made by a nonprofit organization from income tax.

164) Ark. Code Ann. § 26-51-306

Exempts service pay or allowances received by an active duty member of the armed services and combat zone compensation from income tax.

165) Ark. Code Ann. § 26-51-307

The first \$6,000 of qualified retirement income is exempt from income tax.

166) Ark. Code Ann. § 26-51-308

Certain trusts forming part of qualified deferred compensation plans of employers for benefit of employees as described in IRC § 401(a) are exempt from income tax.

167) Ark. Code Ann. § 26-51-310

Certain amounts of foreign earned income and housing costs are exempt from income tax.

168) Ark. Code Ann. § 26-51-311

Exempts a qualified windmill blade manufacturer from income tax.

169) Ark. Code Ann. § 26-51-312

Limited exemption from income tax for qualified windmill blade and windmill component manufacturers.

170) Ark. Code Ann. § 26-51-313

Exempts qualified drop-in Biofuels manufactures from income tax.

171) Ark. Code Ann. § 26-51-314

Exempts payments from an agricultural disaster program from income tax.

172) Ark. Code Ann. § 26-51-315

Income received from a community match income incentive for rural physicians.

173) Ark. Code Ann. § 26-51-404(b)(8)

Dividends received from a subsidiary at least 80% owned.

174) Ark. Code Ann. § 26-51-417(a)

Exempts child support payments from income tax pursuant to IRC § 71.

175) Ark. Code Ann. § 26-51-448(a)

Exempts Coverdell education savings accounts from income tax pursuant to IRC § 530.

176) Ark. Code Ann. § 26-51-815(b)(2)

Exempts 50% of capital gains earned after 7/1/16.

177) Ark. Code Ann. § 26-51-815(b)(3)

Exempts 100% of net capital gain above \$10 million.

178) Ark. Code Ann. § 26-51-815(d)

Exempts 100% of net capital gain from a venture capital investment from income tax.

179) Public Law 111-97

The Military Spouse Residency Relief Act; exempts the income of a military member's spouse from income tax.

Distribution of Sales Tax Credits, Deductions, Exclusions, and Exemptions

Sales tax exemption: livestock, poultry, poultry products, and certain dairy products

Dollar amounts in millions

Distribution by Corporate Account Income Range

	<u>Amount</u>	<u>Percent</u>
\$0 or less	33.5	59.2
\$0 - \$25,000	11.6	20.6
\$25,001 - \$100,000	5.0	8.9
\$100,001 & Up	6.4	11.3
Total	56.6	100.0

	<u>Distribution by GDP Sector</u>		<u>Distribution by Corporate Income Tax Liability</u>	
	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>
Agriculture	2.1	100.0	17.1	100.0
Mining	0.7		0.2	
Utilities	2.7		0.2	
Construction	3.7		1.2	
Manufacturing	14.8		20.3	
Wholesale trade	8.0		5.2	
Retail trade	7.5		21.5	
Transportation	4.3		5.3	
Information	1.9		2.8	
Finance, insurance, real estate	16.0		8.2	
Professional/business services	11.2		15.5	
Educational services, health care, social assistance	8.8		1.4	
Arts, entertainment, recreation, accomodation and food services	3.6		0.7	
Other services	2.3		0.3	
Government	12.5		---	
Total	100.0	100.0	100.0	100.0

Distribution of Sales Tax Credits, Deductions, Exclusions, and Exemptions
 Sales tax exemption: feedstuffs in commercial production of livestock/poultry
 Dollar amounts in millions

Distribution by Corporate Account Income Range

	<u>Amount</u>	<u>Percent</u>
\$0 or less	86.3	59.2
\$0 - \$25,000	30.0	20.6
\$25,001 - \$100,000	12.9	8.9
\$100,001 & Up	16.5	11.3
Total	145.7	100.0

Distribution by
GDP Sector

	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>
Agriculture	2.1	100.0
Mining	0.7	
Utilities	2.7	
Construction	3.7	
Manufacturing	14.8	
Wholesale trade	8.0	
Retail trade	7.5	
Transportation	4.3	
Information	1.9	
Finance, insurance, real estate	16.0	
Professional/business services	11.2	
Educational services, health care, social assistance	8.8	
Arts, entertainment, recreation, accomodation and food services	3.6	
Other services	2.3	
Government	12.5	
Total	100.0	100.0

Distribution of Sales Tax Credits, Deductions, Exclusions, and Exemptions
 Sales tax exemption: agricultural fertilizer, limestone, and chemicals/pesticides
 Dollar amounts in millions

Distribution by Corporate Account Income Range

	<u>Amount</u>	<u>Percent</u>
\$0 or less	38.8	59.2
\$0 - \$25,000	13.5	20.6
\$25,001 - \$100,000	5.8	8.9
\$100,001 & Up	7.4	11.3
Total	65.6	100.0

Distribution by
GDP Sector

	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>
Agriculture	2.1	100.0
Mining	0.7	
Utilities	2.7	
Construction	3.7	
Manufacturing	14.8	
Wholesale trade	8.0	
Retail trade	7.5	
Transportation	4.3	
Information	1.9	
Finance, insurance, real estate	16.0	
Professional/business services	11.2	
Educational services, health care, social assistance	8.8	
Arts, entertainment, recreation, accommodation and food services	3.6	
Other services	2.3	
Government	12.5	
Total	100.0	100.0

Distribution of Sales Tax Credits, Deductions, Exclusions, and Exemptions
 Sales tax exemption: nonprofit/charitable hospital, sanitarium, nursing homes
 Dollar amounts in millions

Distribution by Corporate Account Income Range

	<u>Amount</u>	<u>Percent</u>
\$0 or less	77.2	59.2
\$0 - \$25,000	26.8	20.6
\$25,001 - \$100,000	11.6	8.9
\$100,001 & Up	14.8	11.3
Total	130.4	100.0

	<u>Distribution by GDP Sector</u>		<u>Distribution by Corporate Income Tax Liability</u>	
	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>
Agriculture	2.1		17.1	
Mining	0.7		0.2	
Utilities	2.7		0.2	
Construction	3.7		1.2	
Manufacturing	14.8		20.3	
Wholesale trade	8.0		5.2	
Retail trade	7.5		21.5	
Transportation	4.3		5.3	
Information	1.9		2.8	
Finance, insurance, real estate	16.0		8.2	
Professional/business services	11.2		15.5	
Educational services, health care, social assistance	8.8	100.0	1.4	100.0
Arts, entertainment, recreation, accomodation and food services	3.6		0.7	
Other services	2.3		0.3	
Government	12.5		---	
Total	100.0	100.0	100.0	100.0

Distribution of Sales Tax Credits, Deductions, Exclusions, and Exemptions

Sales tax exemption: reduced rate for utilities used by manufacturers

Dollar amounts in millions

Distribution by Corporate Account Income Range

	<u>Amount</u>	<u>Percent</u>
\$0 or less	56.8	59.2
\$0 - \$25,000	19.7	20.6
\$25,001 - \$100,000	8.5	8.9
\$100,001 & Up	10.9	11.3
Total	96.0	100.0

	<u>Distribution by GDP Sector</u>		<u>Distribution by Corporate Income Tax Liability</u>	
	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>
Agriculture	2.1		17.1	
Mining	0.7		0.2	
Utilities	2.7		0.2	
Construction	3.7		1.2	
Manufacturing	14.8	100.0	20.3	100.0
Wholesale trade	8.0		5.2	
Retail trade	7.5		21.5	
Transportation	4.3		5.3	
Information	1.9		2.8	
Finance, insurance, real estate	16.0		8.2	
Professional/business services	11.2		15.5	
Educational services, health care, social assistance	8.8		1.4	
Arts, entertainment, recreation, accomodation and food services	3.6		0.7	
Other services	2.3		0.3	
Government	12.5		---	
Total	100.0	100.0	100.0	

Distribution of Sales Tax Credits, Deductions, Exclusions, and Exemptions

Sales tax exemption: manufacturing machinery and equipment

Dollar amounts in millions

Distribution by Corporate Account Income Range

	<u>Amount</u>	<u>Percent</u>
\$0 or less	66.4	59.2
\$0 - \$25,000	23.1	20.6
\$25,001 - \$100,000	10.0	8.9
\$100,001 & Up	12.7	11.3
Total	112.2	100.0

	<u>Distribution by GDP Sector</u>		<u>Distribution by Corporate Income Tax Liability</u>	
	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>
Agriculture	2.1		17.1	
Mining	0.7		0.2	
Utilities	2.7		0.2	
Construction	3.7		1.2	
Manufacturing	14.8	100.0	20.3	100.0
Wholesale trade	8.0		5.2	
Retail trade	7.5		21.5	
Transportation	4.3		5.3	
Information	1.9		2.8	
Finance, insurance, real estate	16.0		8.2	
Professional/business services	11.2		15.5	
Educational services, health care, social assistance	8.8		1.4	
Arts, entertainment, recreation, accomodation and food services	3.6		0.7	
Other services	2.3		0.3	
Government	12.5		---	
Total	100.0	100.0	100.0	100.0

Distribution of Sales Tax Credits, Deductions, Exclusions, and Exemptions
 Sales tax exemption: prescription drugs

Number of Arkansas households, FY22: 1,224,700
 Average exemption value per household: \$206.24

Quintile Divisions of Income

	All Quintiles	Lowest 20 Percent	Second 20 Percent	Third 20 Percent	Fourth 20 Percent	Highest 20 Percent
Income Distribution before taxes		18.31%	19.58%	18.75%	19.36%	24.00%
Number of households, Arkansas		224,242	239,816	229,681	237,086	293,875
Per. Consumer Expend. For Drugs (Avg. Ann. Expenditures)	\$481.17	\$338.96	\$311.55	\$365.38	\$421.26	\$925.16
Avg. Expend. by Quintile % of Total		70.4%	64.7%	75.9%	87.5%	192.3%
Ark. distrib of exemption-avg. \$	\$206.24	\$145.28	\$133.54	\$156.61	\$180.56	\$396.54

Distribution of Sales Tax Credits, Deductions, Exclusions, and Exemptions
 Sales tax exemption: gasoline or motor vehicle fuel

Number of Arkansas households, FY22: 1,224,700
 Average exemption value per household: \$392.56

Quintile Divisions of Income

	All Quintiles	Lowest 20 Percent	Second 20 Percent	Third 20 Percent	Fourth 20 Percent	Highest 20 Percent
Income Distribution before taxes		18.31%	19.58%	18.75%	19.36%	24.00%
Number of households, Arkansas		224,242	239,816	229,681	237,086	293,875
Per. Consumer Expend. For Motor Fuels (Avg. Ann. Expenditures)	\$1,568	\$817	\$1,253	\$1,624	\$1,953	\$2,199
Avg. Expend. by Quintile % of Total		52.1%	79.9%	103.6%	124.6%	140.2%
Ark. distrib of exemption-avg. \$	\$392.56	\$204.54	\$313.70	\$406.58	\$488.95	\$550.54

Distribution of Sales Tax Credits, Deductions, Exclusions, and Exemptions

Sales tax exemption: aircraft completed in state for use outside Arkansas

Dollar amounts in millions

Distribution by Corporate Account Income Range

	<u>Amount</u>	<u>Percent</u>
\$0 or less	31.3	59.2
\$0 - \$25,000	10.9	20.6
\$25,001 - \$100,000	4.7	8.9
\$100,001 & Up	6.0	11.3
Total	52.8	100.0

	<u>Distribution by GDP Sector</u>		<u>Distribution by Corporate Income Tax Liability</u>	
	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>
Agriculture	2.1		17.1	
Mining	0.7		0.2	
Utilities	2.7		0.2	
Construction	3.7		1.2	
Manufacturing	14.8	100.0	20.3	100.0
Wholesale trade	8.0		5.2	
Retail trade	7.5		21.5	
Transportation	4.3		5.3	
Information	1.9		2.8	
Finance, insurance, real estate	16.0		8.2	
Professional/business services	11.2		15.5	
Educational services, health care, social assistance	8.8		1.4	
Arts, entertainment, recreation, accomodation and food services	3.6		0.7	
Other services	2.3		0.3	
Government	12.5		---	
Total	100.0	100.0	100.0	100.0

Arkansas Tax Exemptions January 2023: Appendix

Distribution of Sales Tax Credits, Deductions, Exclusions, and Exemptions
 Sales tax exemption: food and food ingredients at reduced rate of 0.125%

Number of Arkansas households, FY22: 1,224,700
 Average exemption value per household: \$226.99

Quintile Divisions of Income

	All Quintiles	Lowest 20 Percent	Second 20 Percent	Third 20 Percent	Fourth 20 Percent	Highest 20 Percent
Income Distribution before taxes		18.31%	19.58%	18.75%	19.36%	24.00%
Number of households, Arkansas		224,242	239,816	229,681	237,086	293,875
Per. Consumer Expend. For Food at Home (Avg. Ann. Expenditures)	\$4,942	\$3,099	\$3,820	\$4,230	\$5,736	\$7,817
Avg. Expend. by Quintile % of Total		62.7%	77.3%	85.6%	116.1%	158.2%
Ark. distrib of exemption-avg. \$	\$226.99	\$142.34	\$175.46	\$194.29	\$263.46	\$359.05

Arkansas Tax Exemptions January 2023: Appendix

Distribution of Sales Tax Credits, Deductions, Exclusions, and Exemptions

Sales tax credit: motor vehicle trade-in allowance

Distribution by Corporate Account Income Range

	<u>Amount (M\$)</u>	<u>Percent</u>
\$0 or less	126.7	59.2
\$0 - \$25,000	44.0	20.6
\$25,001 - \$100,000	19.0	8.9
\$100,001 & Up	24.3	11.3
Total	213.9	100.0

	<u>Distribution by GDP Sector</u>		<u>Distribution by Corporate Income Tax Liability</u>	
	<u>Sector</u>	<u>Percent of Share (%)</u>	<u>Sector</u>	<u>Percent of Exemption</u>
Agriculture	2.1		17.1	
Mining	0.7		0.2	
Utilities	2.7		0.2	
Construction	3.7		1.2	
Manufacturing	14.8		20.3	
Wholesale trade	8.0		5.2	
Retail trade	7.5	100.0	21.5	100.0
Transportation	4.3		5.3	
Information	1.9		2.8	
Finance, insurance, real estate	16.0		8.2	
Professional/business services	11.2		15.5	
Educational services, health care, social assistance	8.8		1.4	
Arts, entertainment, recreation, accommodation and food services	3.6		0.7	
Other services	2.3		0.3	
Government	12.5		---	
Total	100.0	100.0	100.0	100.0

Number of Arkansas households, FY22: 1,224,700

Average exemption value per household: \$174.66

Quintile Divisions of Income

	All Quintiles	Lowest 20 Percent	Second 20 Percent	Third 20 Percent	Fourth 20 Percent	Highest 20 Percent
Income Distribution before taxes		18.31%	19.58%	18.75%	19.36%	24.00%
Number of households, Arkansas		224,242	239,816	229,681	237,086	293,875
Per. Consumer Expend., vehicles (Avg. Ann. Expenditures)	\$1,568	\$817	\$1,253	\$1,624	\$1,953	\$2,199
Avg. Expend. by Quintile % of Total		52.1%	79.9%	103.6%	124.6%	140.2%
Ark. distrib of exemption-avg. \$	\$174.66	\$63.04	\$66.05	\$143.22	\$248.48	\$353.82

Individual Income Tax Credits, Deductions, Exclusions, and Exemptions Distribution by Income Class

Dollar amounts in millions

Personal Tax Credit

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	40.2	37.6
\$22,900 - \$82,000	50.4	47.2
\$82,000 and higher	16.2	15.2
Total	106.8	100.0

Other State Tax Credits

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	1.8	2.5
\$22,900 - \$82,000	17.6	24.1
\$82,000 and higher	53.4	73.4
Total	72.8	100.0

Border City Exemption

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	2.0	6.5
\$22,900 - \$82,000	11.6	37.1
\$82,000 and higher	17.6	56.4
Total	31.2	100.0

Deduction for Interest

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	2.1	1.8
\$22,900 - \$82,000	39.3	32.7
\$82,000 and higher	78.6	65.5
Total	120.0	100.0

Deduction for Other Taxes Paid

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	2.3	1.8
\$22,900 - \$82,000	42.5	32.7
\$82,000 and higher	85.1	65.5
Total	129.9	100.0

Deduction for Charitable Contributions

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	0.8	1.8
\$22,900 - \$82,000	14.2	32.7
\$82,000 and higher	28.4	65.5
Total	43.3	100.0

Individual Income Tax Credits, Deductions, Exclusions, and Exemptions Distribution by Income Class

Dollar amounts in millions

Deduction for Medical/Dental Expenses

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	0.6	1.8
\$22,900 - \$82,000	11.6	32.7
\$82,000 and higher	23.1	65.5
Total	35.3	100.0

Deduction for Net Operating Loss

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	31.2	92.0
\$22,900 - \$82,000	0.7	2.0
\$82,000 and higher	2.00	6.0
Total	33.9	100.0

Deduction for Depreciation

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	0.9	1.8
\$22,900 - \$82,000	16.7	32.7
\$82,000 and higher	33.5	65.5
Total	51.1	100.0

Standard Deduction

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	17.3	29.1
\$22,900 - \$82,000	38.8	65.2
\$82,000 and higher	3.4	5.7
Total	59.5	100.0

Miscellaneous Itemized Deductions

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	0.4	1.8
\$22,900 - \$82,000	7.8	32.7
\$82,000 and higher	15.7	65.5
Total	23.9	100.0

Exemption for Retirement Income

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	40.9	16.0
\$22,900 - \$82,000	122.3	47.9
\$82,000 and higher	92.3	36.1
Total	255.5	100.0

Individual Income Tax Credits, Deductions, Exclusions, and Exemptions
Distribution by Income Class

Dollar amounts in millions

Exemption of 50% of Capital Gains

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	1.5	1.8
\$22,900 - \$82,000	28.1	32.7
\$82,000 and higher	56.4	65.5
Total	86.0	100.0

Capital Gains In Excess of \$10 Million

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$22,900	0.0	0.0
\$22,900 - \$82,000	0.0	0.0
\$82,000 and higher	32.2	100.0
Total	32.2	100.0

Corporate Income Tax Credits, Deductions, Exclusions, and Exemptions Distribution by Income Class

Dollar amounts in millions

Deduction for Interest

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
\$0 - \$100,000	10.9	1.3
\$100,001 - \$500,000	40.0	4.7
\$500,001 - \$1,000,000	38.1	4.5
\$1,000,001 - \$2,000,000	49.5	5.8
\$2,000,001 - \$5,000,000	100.7	11.9
\$5,000,001 - \$10,000,000	101.7	12.0
\$10,000,001 and higher	507.1	59.8
Total	848.0	100.0

Deduction for Other Taxes Paid

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
\$0 - \$100,000	1.4	1.3
\$100,001 - \$500,000	5.0	4.7
\$500,001 - \$1,000,000	4.8	4.5
\$1,000,001 - \$2,000,000	6.2	5.8
\$2,000,001 - \$5,000,000	12.6	11.9
\$5,000,001 - \$10,000,000	12.7	12.0
\$10,000,001 and higher	63.4	59.8
Total	106.1	100.0

Deduction for Charitable Contributions

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
\$0 - \$100,000	3.4	1.3
\$100,001 - \$500,000	12.4	4.7
\$500,001 - \$1,000,000	11.8	4.5
\$1,000,001 - \$2,000,000	15.3	5.8
\$2,000,001 - \$5,000,000	31.2	11.9
\$5,000,001 - \$10,000,000	31.5	12.0
\$10,000,001 and higher	157.1	59.8
Total	262.7	100.0

Deduction for Worthless Debts

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
\$0 - \$100,000	0.8	1.3
\$100,001 - \$500,000	2.8	4.7
\$500,001 - \$1,000,000	2.6	4.5
\$1,000,001 - \$2,000,000	3.4	5.8
\$2,000,001 - \$5,000,000	7.0	11.9
\$5,000,001 - \$10,000,000	7.1	12.0
\$10,000,001 and higher	35.3	59.8
Total	59.0	100.0

Corporate Income Tax Credits, Deductions, Exclusions, and Exemptions Distribution by Income Class

Dollar amounts in millions

Deduction for Net Operating Loss

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Zero or less	31.3	71.2
\$0 - \$100,000	2.4	5.4
\$100,001 - \$500,000	3.4	7.7
\$500,001 - \$1,000,000	1.0	2.2
\$1,000,001 - \$2,000,000	1.4	3.1
\$2,000,001 - \$5,000,000	3.5	7.9
\$5,000,001 - \$10,000,000	0.8	1.8
\$10,000,001 and higher	0.4	0.8
Total	44.0	100.0

Deduction for Depreciation

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
\$0 - \$100,000	2.6	1.3
\$100,001 - \$500,000	9.7	4.7
\$500,001 - \$1,000,000	9.2	4.5
\$1,000,001 - \$2,000,000	12.0	5.8
\$2,000,001 - \$5,000,000	24.4	11.9
\$5,000,001 - \$10,000,000	24.6	12.0
\$10,000,001 and higher	122.6	59.8
Total	205.0	100.0

Deduction for Dividends Paid

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
\$0 - \$100,000	0.2	1.3
\$100,001 - \$500,000	0.6	4.7
\$500,001 - \$1,000,000	0.6	4.5
\$1,000,001 - \$2,000,000	0.8	5.8
\$2,000,001 - \$5,000,000	1.6	11.9
\$5,000,001 - \$10,000,000	1.6	12.0
\$10,000,001 and higher	7.9	59.8
Total	13.2	100.0