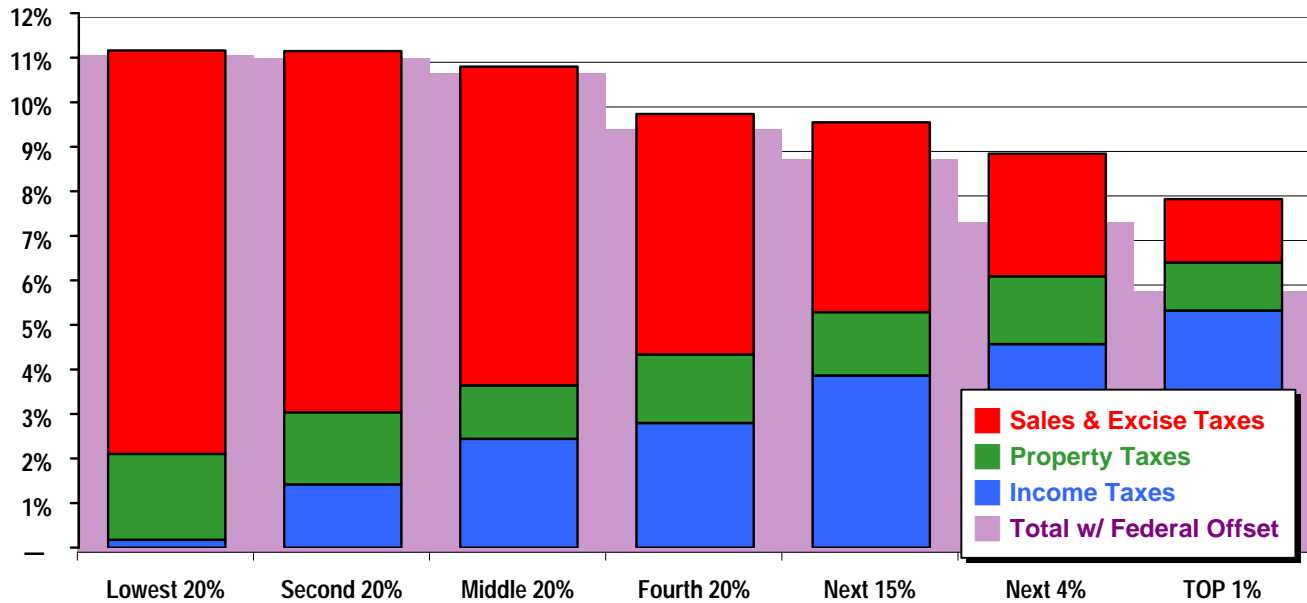


Arkansas

State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Income Range	Less than \$12,000	\$12,000 – \$20,000	\$20,000 – \$33,000	\$33,000 – \$55,000	\$55,000 – \$100,000	\$100,000 – \$242,000	\$242,000 or more
Average Income in Group	\$7,000	\$16,200	\$26,800	\$43,400	\$71,700	\$137,900	\$498,100
Sales & Excise Taxes	9.1%	8.1%	7.2%	5.4%	4.3%	2.8%	1.4%
General Sales—Individuals	5.7%	5.1%	4.6%	3.6%	2.9%	1.9%	1.0%
Other Sales & Excise—Ind.	1.5%	1.4%	1.1%	0.8%	0.6%	0.3%	0.1%
Sales & Excise on Business	1.9%	1.7%	1.4%	1.1%	0.8%	0.5%	0.3%
Property Taxes	1.9%	1.6%	1.2%	1.5%	1.4%	1.5%	1.1%
Property Taxes on Families	1.9%	1.6%	1.2%	1.4%	1.2%	1.2%	0.6%
Other Property Taxes	0.0%	0.1%	0.0%	0.1%	0.2%	0.3%	0.5%
Income Taxes	0.2%	1.4%	2.4%	2.8%	3.9%	4.6%	5.3%
Personal Income Tax	0.1%	1.4%	2.4%	2.7%	3.8%	4.5%	5.2%
Corporate Income Tax	0.0%	0.1%	0.0%	0.1%	0.0%	0.1%	0.2%
TOTAL TAXES	11.2%	11.1%	10.8%	9.7%	9.5%	8.8%	7.8%
Federal Deduction Offset	—	-0.1%	-0.0%	-0.2%	-0.7%	-1.4%	-2.0%
TOTAL AFTER OFFSET	11.2%	11.1%	10.8%	9.5%	8.8%	7.4%	5.9%

Note: Table shows 2002 tax law at 2000 income levels.

Arkansas Details

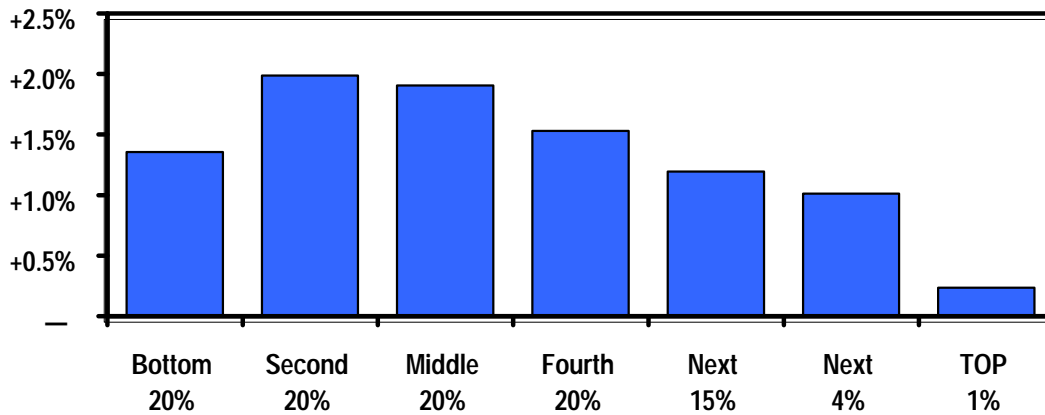
Progressive Features

- ✓ Graduated rates in income tax
- ✓ Working taxpayer credit lowers burden on poor

Regressive Features

- ✗ Income tax credits are not refundable
- ✗ 30% of capital gains is excluded from income tax
- ✗ Sales tax applies to groceries

Changes in Tax as Share of Income, 1989 - 2002

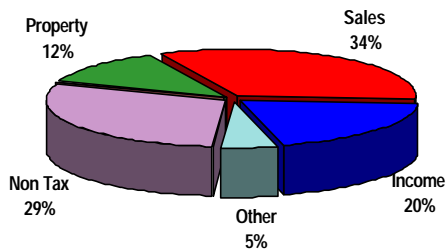


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.4%	+1.6%	+1.5%	+1.1%	+0.9%	+0.6%	+0.3%
Property	+0.3%	+0.4%	+0.2%	+0.3%	-0.1%	+0.2%	+0.2%
Income	-0.4%	-0.0%	+0.3%	+0.2%	+0.6%	+0.6%	+0.2%
Federal Offset	+0.0%	-0.0%	-0.0%	-0.1%	-0.2%	-0.4%	-0.4%
Overall Change	+1.4%	+2.0%	+1.9%	+1.5%	+1.2%	+1.0%	+0.2%

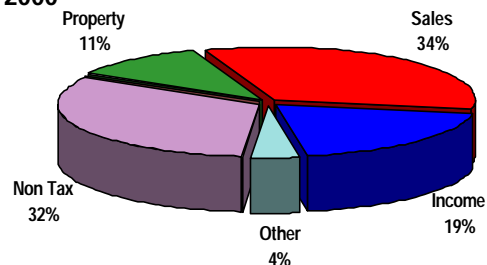
There were several major changes to the Arkansas personal income tax over the decade. Capital gains were first treated with a preferential rate in the mid-90s before a 30% exclusion was enacted in 1999, a boon to the most affluent taxpayers. Despite the lack of bracket indexing until 1999, the less well off got some relief with a larger standard deduction and an expansion in credits. But middle and low income taxpayers were hit by significant increases in the general sales tax--1.125% over the course of the decade--and excise taxes. These tax increases offset any gain for the lowest income quintiles from expanded credits.

Composition of Revenues

1989



2000



Source: Government Finances, US Department of Census