

# Arkansas Details

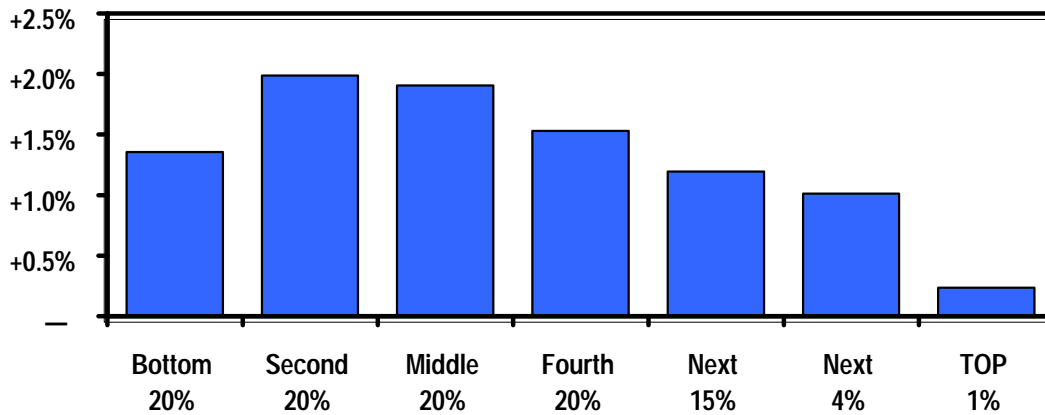
## Progressive Features

- ✓ 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

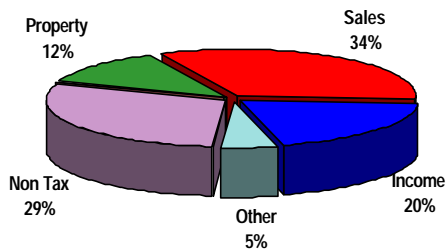


	Bottom 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
					Next 15%	Next 4%	TOP 1%
Sales & Excise	+1.4%	+1.6%	+1.5%	+1.1%	+0.9%	+0.6%	+0.3%
Property	+0.3%	+0.4%	+0.2%	+0.3%	-0.1%	+0.2%	+0.2%
Income	-0.4%	-0.0%	+0.3%	+0.2%	+0.6%	+0.6%	+0.2%
Federal Offset	+0.0%	-0.0%	-0.0%	-0.1%	-0.2%	-0.4%	-0.4%
Overall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

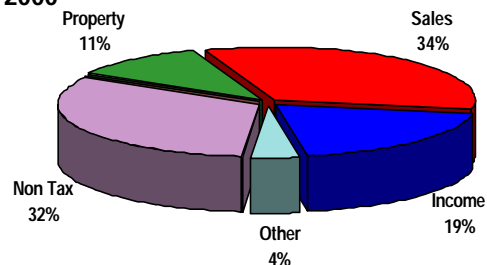
There were several major changes to the Arkansas personal income tax over the decade. Capital gains were first treated with a preferential rate in the mid-90s before a 30% exclusion was enacted in 1999, a boon to the most affluent taxpayers. Despite the lack of bracket indexing until 1999, the less well 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