



Press Release

Collins Proposes Cut in Arkansas Tax on Work to Spur Job Growth.

Today, Charlie Collins proposed a cut in the Arkansas income tax to help turn the state into a good jobs magnet. Collins is running to unseat incumbent Democrat Jim House as the District 89 State Representative (east Fayetteville, Elkins, Goshen, south east Springdale). Currently, Arkansas has the highest state income tax in our region, with a top rate of 7% for incomes above \$32,600. Collins' plan also simplifies the system. He achieves these twin goals of cutting and simplifying the tax code by eliminating two of the six tax brackets (the 2.5% and 7% brackets). His plan cuts the tax rate by 60% for income under \$4,000 per year (from 2.5% to 1%), and by 14% for income over \$32,600 (from 7% to 6%).

In 2007 Arkansas was fourth from the bottom of all states in per capita income, but tax revenue as a percentage of personal income was the fourth highest in the country. Collins argues that this is no accident. Collins says working Arkansans are losing out because of difficulty competing for jobs with surrounding states like Texas, Tennessee and Florida, none of which have any state income tax on work.

“High state income taxes are job killers. New and expanding businesses look to hire workers in places where the workers can keep the money they are paid. Business owners know it costs a lot more to hire good workers in states where state government confiscates thousands of dollars of worker wages in taxes.” For example, in Arkansas, a married couple pays about \$10,000 a year in income taxes if each person makes \$80,000 a year. That compares to a \$0 income tax bill in some neighboring states. Arkansas has a higher income tax rate than any state that borders it, for any income over \$32,600.

Collins' plan also calls for raising the income level for the 6% bracket by \$20,000 every year beginning in 2013 (6% bracket begins at \$19,600 income level now). Under Collins' plan, the 6% bracket would begin at about the \$40,000 income level in 2013, \$60,000 level in 2014, etc. He would keep the current indexing formula for the other tax brackets.

Collins would trim state government in the short run to keep the budget in balance, until economic growth regenerated any revenue reduction from the tax cuts. "In Texas, state government operates with about one half as many government employees and one third as many government vehicles per capita as Arkansas. We don't need to cut the number of government workers in half, we just need to eliminate earmarks (including the Governor's special projects funds), freeze spending, and put a moratorium on filling open government positions to manage the budget." In the long run, putting Arkansas back to work will do more for generating government revenue than oppressive tax rates.