



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

**OFFICE OF THE SECRETARY**

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January 10, 2025

The Honorable Sarah Huckabee Sanders, Governor  
Arkansas Legislative Council  
Joint Budget Committee

Dear Governor Sanders and Members:

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.

Please contact me should you have any questions concerning the report.

Sincerely,

James L. Hudson  
Cabinet Secretary



# Department of Finance and Administration



## Biennial Report on State Tax Exemptions, Discounts, Credits, and Deductions January 2025

A Report to the Governor and the Arkansas Legislative Council

Act 819 of the 2019 Regular Session, 92<sup>nd</sup> General Assembly



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## OVERVIEW

The report provides estimates of the revenue reduction for a six-year period beginning with Fiscal Year 2025 for each exemption. Results of the estimates are listed without totals. 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.

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 established, 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 selected exemptions above the size threshold specified in Act 819 and 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 2025: Sales and Use Tax

Table 1: Estimated Value of Sales Tax Exemptions  
Dollar amounts in millions

	FY25	FY26	FY27	FY28	FY29	FY30
<b>AGRICULTURE EXEMPTIONS</b>						
1) Sales of raw agricultural products	0.6	0.6	0.6	0.6	0.7	0.7
2) Sales of livestock *	69.3	71.7	71.2	68.7	65.4	62.5
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	31.1	31.2	31.7	32.1	32.5	32.7
5) Seed to be used in the commercial agri production	42.8	43.9	45.0	45.9	47.0	48.0
6) Agricultural machinery and equipment	33.3	33.3	33.3	33.3	33.3	33.3
7) Irrigation pipe	0.5	0.5	0.5	0.5	0.5	0.5
8) Feedstuffs in commercial production of livestock/poultry *	155.5	152.8	153.5	155.4	156.5	156.8
9) Agricultural fertilizer, limestone, and chemicals/pesticides *	74.1	72.7	74.4	75.9	76.4	76.7
10) Agricultural water purchases reducing groundwater use	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
11) Agricultural wrapping products	1.6	1.6	1.7	1.7	1.8	1.8
12) Livestock reproduction equipment	0.1	0.1	0.1	0.1	0.1	0.1
13) Timber harvesting equipment	1.8	1.8	1.9	1.9	2.0	2.0
14) Water used in poultry farm	3.8	3.9	4.0	4.1	4.2	4.3
<b>CHARITABLE / NONPROFIT EXEMPTIONS</b>						
15) Sales to credit unions	1.5	1.5	1.5	1.6	1.6	1.6
16) Hospital and Medical Service Corporations	0.2	0.2	0.2	0.2	0.2	0.2
17) Nonprofit/charitable hospital, sanitarium, nursing homes *	173.1	180.5	188.2	196.3	204.6	213.4
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	0.1
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	0.2	0.2	0.2	0.2	0.2	0.2
25) Salvation Army	0.2	0.2	0.2	0.2	0.2	0.2
26) Heifer Project International, Inc	0.2	0.2	0.2	0.2	0.3	0.3
27) Boys' and Girls' Clubs of America	0.3	0.3	0.3	0.3	0.3	0.3
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	0.5	0.5	0.5	0.5	0.5	0.5
33) Food and food ingredients to nonprofit agencies	0.8	0.8	0.8	0.8	0.8	0.9
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
37) Disabled Veteran Americans Organizations	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
<b>ENERGY EXEMPTIONS</b>						
38) Electricity, NG, LPG for commercial grain drying/storage	6.6	6.9	7.4	7.3	7.6	7.7
39) Reduced rate for utilities used by manufacturers *	73.2	77.4	81.8	86.5	91.4	96.6
40) Electricity used in the manufacture of aluminum metal	0.0	0.0	0.0	0.0	0.0	0.0
41) Natural gas in the process of manufacturing glass	0.2	0.2	0.2	0.2	0.2	0.2
42) Alternative fuels used in manufacturing operations	0.9	0.9	0.9	0.9	0.9	0.9
43) Gas produced from "biomass"	0.0	0.0	0.0	0.0	0.0	0.0

Arkansas Tax Exemptions January 2025: Sales and Use Tax

Table 1 continued: Estimated Value of Sales Tax Exemptions

Dollar amounts in millions

	FY25	FY26	FY27	FY28	FY29	FY30
44) Natural gas and electricity used in tile manufacturing	0.0	0.0	0.0	0.0	0.0	0.0
45) Electricity in production of chemicals used in chlor-alkali	0.0	0.0	0.0	0.0	0.0	0.0
46) Natural gas and electricity in new tire manufacturing	0.8	0.9	0.9	0.9	1.0	1.0
47) Utilities for qualifying agricultural structures/equipment	14.1	13.7	14.1	14.7	15.1	15.5
48) Natural gas and electricity to qualified steel manufacturers	cbe	cbe	cbe	cbe	cbe	cbe
<b>FEDERAL GOVERNMENT EXEMPTIONS</b>						
49) Sales or rental of medical equipment	cbe	cbe	cbe	cbe	cbe	cbe
50) Food stamps purchases	37.9	38.8	39.9	40.6	41.6	42.5
51) United States Government	cbe	cbe	cbe	cbe	cbe	cbe
<b>INDUSTRIAL EXEMPTIONS</b>						
52) Manufacturing chemicals, catalysts, and reagents	cbe	cbe	cbe	cbe	cbe	cbe
53) Fuel packaging materials and machinery and equipment	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
54) Manufacturing machinery and equipment *	137.1	138.8	141.4	145.8	147.7	149.6
55) Pollution control machinery and equipment	cbe	cbe	cbe	cbe	cbe	cbe
56) Manufacturing repair or replacement parts *	61.8	62.5	63.7	65.7	66.6	67.4
57) Repair or remanufacture of industrial metal rollers	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
<b>LOCAL GOVERNMENT EXEMPTIONS</b>						
58) Sales to Regional Water Distributions Districts	1.0	1.0	1.0	1.1	1.1	1.1
59) Sales to Public Housing Authorities	4.6	4.7	4.9	5.0	5.1	5.2
60) Sales to Regional Airport Authority	0.6	0.6	0.7	0.7	0.7	0.7
61) City/county ticket sales	cbe	cbe	cbe	cbe	cbe	cbe
62) Equipment and construction supplies for volunteer fire dept.	0.7	0.7	0.7	0.8	0.8	0.8
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
<b>SCHOOLS EXEMPTIONS</b>						
66) Parking space charges or fees by state institutions	0.2	0.3	0.3	0.3	0.3	0.3
67) Food in public, common, high school or college cafeterias	6.1	6.3	6.5	6.6	6.7	6.9
68) Athletic event admission at secondary schools	1.4	1.4	1.4	1.5	1.5	1.5
69) Athletic event admission at colleges	3.8	3.8	3.8	3.8	3.8	3.8
70) Textbooks and other instructional materials	11.9	12.2	12.5	12.8	13.1	13.4
<b>MEDICAL EXEMPTIONS</b>						
71) Dental appliances	3.6	3.7	3.8	3.9	4.0	4.0
72) Prescription drugs *	301.7	315.5	336.2	358.6	381.3	405.2
73) Insulin and test strips for blood sugar levels	38.8	39.8	40.9	41.7	42.6	43.6
74) Sales, rentals, or repair of durable medical equipment	36.4	37.3	38.3	39.1	40.0	40.8
<b>MEDIA EXEMPTIONS</b>						
75) Services purchased by radio and television	4.7	4.9	5.0	5.1	5.2	5.3
76) Advertising in newspapers & publications	5.8	5.8	5.8	5.8	5.8	5.8
77) Advertising on billboards and buses	3.0	3.1	3.2	3.3	3.3	3.4
78) Sales of newspapers	2.5	2.5	2.5	2.5	2.5	2.5
79) Publication other than newspapers	2.7	2.7	2.7	2.7	2.7	2.7
<b>MOTOR FUEL EXEMPTIONS</b>						
80) Gasoline or motor vehicle fuel *	432.5	448.2	467.2	473.3	484.2	493.2
81) Special fuel or petroleum	13.6	13.8	14.3	14.4	14.6	14.8
82) Dyed diesel	37.0	37.5	38.8	39.2	39.7	40.2

Arkansas Tax Exemptions January 2025: Sales and Use Tax

Table 1 continued: Estimated Value of Sales Tax Exemptions

Dollar amounts in millions

	FY25	FY26	FY27	FY28	FY29	FY30
83) Motor fuel for buses	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
<b>MOTOR VEHICLE EXEMPTIONS</b>						
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	0.0	0.0	0.0	0.0	0.0	0.0
87) Aircraft completed in state for use outside Arkansas	48.6	49.8	51.1	52.1	53.3	54.5
88) Vehicles and adaptive equipment to disabled veterans	0.2	0.2	0.3	0.3	0.3	0.3
89) Vehicles to cities, counties, colleges, public-school districts	9.7	9.9	10.2	10.4	10.7	10.9
90) School buses for school districts	0.7	0.7	0.7	0.7	0.7	0.8
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	13.9	14.3	14.7	14.9	15.3	15.6
93) Reduced rate (3.5%) for used vehicles	11.1	11.1	11.1	11.1	11.1	11.1
94) Vehicles or trailers less than \$4,000	28.4	28.4	28.4	28.4	28.4	28.4
95) Vehicles to vehicle-rental business	34.7	35.6	36.5	37.2	38.1	38.9
96) Vehicles purchased by technical or community colleges	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
<b>OTHER EXEMPTIONS</b>						
97) Sales by canteens on military reservations	0.3	0.3	0.3	0.3	0.3	0.3
98) Beer kegs	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
99) Railroad parts, cars, and equipment	cbe	cbe	cbe	cbe	cbe	cbe
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%) *	521.3	534.7	549.0	559.6	572.5	585.0
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	6.4	6.6	6.8	6.9	7.1	7.2
113) Sand and proppants used for oil and gas wells	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
114) Vessels/barges/towboats of at least 50 tons load	1.2	1.2	1.2	1.2	1.3	1.3
115) First 500 kilowatt hours of electricity	1.5	1.5	1.6	1.6	1.6	1.7
116) Qualified Museum	0.7	0.7	0.7	0.7	0.7	0.7
117) Back-to-school sales tax holiday	7.8	8.0	8.2	8.4	8.6	8.7
118) Coins, currency, and bullion exemption	2.5	2.5	2.5	2.5	2.5	2.5
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	26.8	27.5	28.3	28.8	29.5	30.1
121) Concessions stands	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
122) Certain revenues by net-metering facilities	1.3	1.3	1.3	1.4	1.4	1.4
<b>CREDITS AND REFUNDS</b>						
123) Consolidated Incentive Act (CIA) - InvestArk sales tax credits	18.0	14.0	10.0	5.0	0.0	0.0
124) CIA - Tax Back	2.2	2.3	2.4	2.4	2.5	2.5
125) CIA - Targeted Business Tax Back	0.0	0.0	0.0	0.0	0.0	0.0

Table 1 continued: Estimated Value of Sales Tax Exemptions

Dollar amounts in millions

	FY25	FY26	FY27	FY28	FY29	FY30
126) Motor vehicle sold in-lieu of trade	27.6	28.3	29.1	29.6	30.3	31.0
127) Motor vehicle trade-in allowance *	164.3	168.5	172.9	176.3	180.4	184.3
128) Tourism Development Act	1.1	1.1	1.1	1.1	1.2	1.2

cbe: cannot be estimated

<0.1: less than \$100,000

## 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.

**37) Ark. Code Ann. § 26-52-401(43)**

Exempts sales of tangible personal property, specified digital products, a digital code, or a service to the Disabled American Veterans Organization.

## ENERGY EXEMPTIONS

### **38) 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.

### **39) 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.

### **40) Ark. Code Ann. § 26-52-401(24)**

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

### **41) Ark. Code Ann. § 26-52-423**

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

### **42) 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.

### **43) 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.

### **44) 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.

### **45) Ark. Code Ann. § 26-52-438**

Exempts sale of electricity used for production of chlorine and other chemicals using a chlor-alkali manufacturing process.

### **46) 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.

### **47) 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.

### **48) 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

### **49) 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.

### **50) 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.

**51) Ark. Code Ann. § 26-52-401(5)**

Exempts sales to the United States Government and its agencies.

**INDUSTRIAL EXEMPTIONS**

**52) 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.

**53) 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.

**54) 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.

**55) 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.

**56) 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.

**57) 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**

**58) 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.

**59) 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.

**60) 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.

**61) 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.

**62) Ark. Code Ann. § 26-52-434(a) and (b)**

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

**121) Ark. Code Ann. § 26-52-401(40)**

Exempts sales at concession stands operated by a nonprofit youth organization.

**122) Ark. Code Ann. § 23-18-601 to 606**

Exempts revenues collected under contracts for obtaining electric energy from a net-metering facility under a service contract qualifying for safe-harbor protection.

**CREDITS AND REFUNDS**

**123) 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.

county and one million dollars (\$1,000,000) in all other counties.

**124) 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.

**125) 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.

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

Allowance for vehicle sold within 60 days of vehicle purchased.

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

Allowance of vehicle traded for another vehicle.

**128) 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

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

	FY25	FY26	FY27	FY28	FY29	FY30
<b>INCOME TAX CREDITS</b>						
1) Philanthropic Investment in Arkansas Kids Program Act	1.3	1.3	1.3	1.4	1.4	1.4
2) Existing workforce training	0.0	0.0	0.0	0.0	0.0	0.0
3) Digital Product and Motion Picture Industry Development	1.1	1.1	1.1	1.1	1.2	1.2
4) AR Public Roads Improvement Credit Act	0.0	0.0	0.0	0.0	0.0	0.0
5) Advantage Arkansas Income Tax Credit	0.9	0.9	1.0	1.0	1.0	1.0
6) Ark Plus Income Tax Credit	5.5	5.6	5.8	5.9	6.0	6.2
7) Research and development tax credit	0.0	0.0	0.0	0.0	0.0	0.0
8) In-house research income tax credit	2.1	2.2	2.2	2.3	2.3	2.4
9) In-house research by targeted business	1.7	1.8	1.8	1.8	1.9	1.9
10) Targeted business special incentive	0.0	0.0	0.0	0.0	0.0	0.0
11) Biodiesel Incentive Act	0.0	0.0	0.0	0.0	0.0	0.0
12) Equity investment tax credit	2.0	2.1	2.1	2.2	2.2	2.3
13) Affordable neighborhood housing credit	8.9	9.2	9.4	9.6	9.8	10.0
14) Venture capital investment	0.0	0.0	0.0	0.0	0.0	0.0
15) Tourism development	0.0	0.0	0.0	0.0	0.0	0.0
16) Family Savings Initiative	0.0	0.0	0.0	0.0	0.0	0.0
17) Phenylketonuria and other metabolic disorders	0.1	0.1	0.1	0.1	0.1	0.1
18) Coal mining credit	0.0	0.0	0.0	0.0	0.0	0.0
19) Low income tax credit	4.8	5.0	5.1	5.2	5.3	5.4
20) Adoption expense credit	1.1	1.1	1.1	11.0	1.2	1.2
21) Personal tax credit *	112.2	115.1	118.1	120.5	123.2	125.9
22) Early childhood program credit	0.1	0.1	0.1	0.1	0.1	0.1
23) Child care credit	6.6	6.8	7.0	7.1	7.3	7.4
24) Individuals with developmental disabilities credit	4.8	5.0	5.1	5.2	5.3	5.4
25) Other state tax credit *	89.7	92.0	94.4	96.3	98.5	100.7
26) Employer provided child care credit	0.0	0.0	0.0	0.0	0.0	0.0
27) Youth apprenticeship credit	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
28) Rice straw credit	0.0	0.0	0.0	0.0	0.0	0.0
29) Paisley's Law - stillborn child credit	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
30) Cold case tax credit	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
31) Water impoundment credit	0.2	0.2	0.3	0.3	0.3	0.3
32) Surface water conversion outside critical areas credit	0.0	0.0	0.0	0.0	0.0	0.0
33) Surface water conversion inside critical areas credit	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
34) Land Leveling credit	0.3	0.3	0.3	0.3	0.4	0.4
35) Equipment to educational institutions	0.0	0.0	0.0	0.0	0.0	0.0
36) Qualified research expenditures	0.0	0.0	0.0	0.0	0.0	0.0
37) Research Park Authority	0.0	0.0	0.0	0.0	0.0	0.0
38) Wetland & riparian zone credit	0.2	0.2	0.2	0.2	0.2	0.2
39) Low income housing credit	0.3	0.3	0.3	0.3	0.3	0.3
40) Employee tuition reimbursement credit	0.1	0.1	0.1	0.1	0.1	0.1
41) Historic rehabilitation income tax credit	4.9	5.0	5.2	5.3	5.4	5.5
42) AR improvement rehab & development	0.0	0.0	0.0	0.0	0.0	0.0
43) Railroad Modernization Act of 2021	6.4	6.6	6.7	6.9	7.0	7.2
44) Logging and wood fiber transportation job creation	0.0	0.0	0.0	0.0	0.0	0.0
45) Political contribution credit	1.0	1.0	1.0	1.0	1.0	1.1

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

	FY25	FY26	FY27	FY28	FY29	FY30
46) Stillborn child credit	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
47) Additional credit for qualified individuals	40.0	41.0	42.1	42.9	43.9	44.8
48) Waste Reduction & Recycling Equipment	4.7	4.8	4.9	5.0	5.2	5.3
49) Waste Reduction & Recycling Equipment-Steel Mfg	49.5	50.8	52.1	53.2	54.4	55.6
50) Waste Reduction & Recycling Equipment Amendment 82	20.0	20.0	20.0	20.0	20.0	20.0
51) Waste Reduction & Recycling Equipment-Qualified	11.0	11.0	11.0	11.0	11.0	11.0
52) Waste Reduction & Recycling Equipment-Qualified growth	11.0	11.0	11.0	11.0	11.0	11.0
<b>INCOME TAX DEDUCTIONS</b>						
53) Electric Utility Storm Recovery Securitization Act	cbe	cbe	cbe	cbe	cbe	cbe
54) Arkansas Brighter Future Plan Act	7.4	7.6	7.8	8.0	8.2	8.4
55) Schedule C business expenses including gambling losses	cbe	cbe	cbe	cbe	cbe	cbe
56) Schedule A business expenses of employee	cbe	cbe	cbe	cbe	cbe	cbe
57) Employee expenses reimbursed by employer	cbe	cbe	cbe	cbe	cbe	cbe
58) Loss from the sale or exchange of property	cbe	cbe	cbe	cbe	cbe	cbe
59) Property held for the production of rents and royalties	cbe	cbe	cbe	cbe	cbe	cbe
60) Certain expenses of life tenants & income beneficiaries	cbe	cbe	cbe	cbe	cbe	cbe
61) Certain portions of lump-sum distributions from pensions	cbe	cbe	cbe	cbe	cbe	cbe
62) Alimony and separate maintenance payments	2.6	2.7	2.8	2.8	2.9	3.0
63) Interest forfeited on a premature withdrawal from savings	0.1	0.1	0.1	0.1	0.2	0.2
64) Cash payments to IRA	3.3	3.3	3.4	3.5	3.6	3.7
65) Contributions by self-employed persons to pension plans	7.5	7.7	7.9	8.0	8.2	8.4
66) Border city exemption *	27.8	28.4	29.2	29.8	30.0	31.2
67) Health insurance costs of self-employed persons	10.6	10.9	11.2	11.4	11.7	11.9
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	1.7	1.7	1.8	1.8	1.8	1.9
70) Pandemic relief programs	cbe	cbe	cbe	cbe	cbe	cbe
71) Deferred compensation plans	cbe	cbe	cbe	cbe	cbe	cbe
72) Interest *	1,367.1	1,402.3	1,439.3	1,467.6	1,501.5	1,534.3
73) Taxes paid *	411.2	421.8	432.9	441.4	451.6	461.5
74) Individuals with disabilities	0.3	0.3	0.3	0.3	0.3	0.4
75) Charitable contributions *	260.4	267.1	274.1	279.5	286.0	292.2
76) Artistic, library, and musical donations	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
77) Business expenses	cbe	cbe	cbe	cbe	cbe	cbe
78) Medical and dental expenses *	76.1	78.1	80.2	81.8	83.6	85.4
79) Travel expenses	cbe	cbe	cbe	cbe	cbe	cbe
80) Moving expenses	0.7	0.8	0.8	0.8	0.8	0.8
81) Entertainment expenses	cbe	cbe	cbe	cbe	cbe	cbe
82) Self-employed insurance	7.1	7.2	7.4	7.6	7.8	7.9
83) Student loan interest	0.9	1.0	1.0	1.0	1.0	1.1
84) Environmental expenses	cbe	cbe	cbe	cbe	cbe	cbe
85) Handicap and elderly expenses	cbe	cbe	cbe	cbe	cbe	cbe
86) Related party expenses	cbe	cbe	cbe	cbe	cbe	cbe
87) Reforestation expenses	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
88) Losses	0.6	0.6	0.6	0.6	0.6	0.6
89) Worthless debts; Reserve for bad debts *	62.6	64.2	65.9	67.2	68.7	70.2
90) Net operating loss *	109.4	112.2	115.1	117.4	120.1	122.7

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

	FY25	FY26	FY27	FY28	FY29	FY30
91) Depreciation *	511.1	524.2	538.1	548.7	561.3	573.6
92) Amortization of goodwill	cbe	cbe	cbe	cbe	cbe	cbe
93) Depletion of natural resources	cbe	cbe	cbe	cbe	cbe	cbe
94) Standard deduction *	68.9	70.7	72.5	73.9	76.7	77.3
95) Miscellaneous itemized deductions *	26.7	27.4	28.1	28.7	29.3	30.0
96) Capitalized costs	cbe	cbe	cbe	cbe	cbe	cbe
97) Start-up costs	cbe	cbe	cbe	cbe	cbe	cbe
98) Organizational expenses	cbe	cbe	cbe	cbe	cbe	cbe
99) Dividend paid deduction *	13.9	14.2	14.6	14.9	15.2	15.6
100) Soil and water conservation	cbe	cbe	cbe	cbe	cbe	cbe
101) Tuition	3.2	3.2	3.3	3.4	3.5	3.5
102) Small business guaranty fees	cbe	cbe	cbe	cbe	cbe	cbe
103) Health savings account	1.9	1.9	2.0	2.0	2.1	2.1
104) Claim of right	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
105) Volunteer firefighter	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
106) Teacher's classroom investment deduction	1.2	1.2	1.2	1.2	1.3	1.3
107) Deduction for project costs above tax credit	cbe	cbe	cbe	cbe	cbe	cbe
108) Small business stock capital gains	cbe	cbe	cbe	cbe	cbe	cbe
109) Organ donor deduction	0.1	0.1	0.1	0.1	0.1	0.1
<b>INCOME TAX EXCLUSIONS</b>						
110) Nonresident Income	cbe	cbe	cbe	cbe	cbe	cbe
111) Church passive investment	cbe	cbe	cbe	cbe	cbe	cbe
112) Scholarships, fellowships, and grants	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
113) Gain from involuntary conversion of taxpayer's property	cbe	cbe	cbe	cbe	cbe	cbe
114) Gain on sale of principal residence	cbe	cbe	cbe	cbe	cbe	cbe
115) Certain death benefits	cbe	cbe	cbe	cbe	cbe	cbe
116) Gifts	cbe	cbe	cbe	cbe	cbe	cbe
117) Interest	cbe	cbe	cbe	cbe	cbe	cbe
118) Workers' comp, social security, RR retirement,	cbe	cbe	cbe	cbe	cbe	cbe
119) Parsonage allowance	cbe	cbe	cbe	cbe	cbe	cbe
120) Discharge of indebtedness	cbe	cbe	cbe	cbe	cbe	cbe
121) Cafeteria plan	cbe	cbe	cbe	cbe	cbe	cbe
122) Dependent care assistance	cbe	cbe	cbe	cbe	cbe	cbe
123) Group term life insurance	cbe	cbe	cbe	cbe	cbe	cbe
124) Disability and health plan	cbe	cbe	cbe	cbe	cbe	cbe
125) Moving expenses	cbe	cbe	cbe	cbe	cbe	cbe
126) Meals and lodging	cbe	cbe	cbe	cbe	cbe	cbe
127) Cost-sharing payments	cbe	cbe	cbe	cbe	cbe	cbe
128) Foster care	3.2	3.2	3.3	3.4	3.5	3.5
129) Fringe benefits	cbe	cbe	cbe	cbe	cbe	cbe
130) Education expenses	cbe	cbe	cbe	cbe	cbe	cbe
131) Long-term intergenerational trust	0.2	0.2	0.2	0.2	0.2	0.2
132) Individual development account	cbe	cbe	cbe	cbe	cbe	cbe
133) Medicare Plus Choice MSAs	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
134) Life insurance endowment, and annuity contracts	cbe	cbe	cbe	cbe	cbe	cbe
135) Health savings account	cbe	cbe	cbe	cbe	cbe	cbe

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

	FY25	FY26	FY27	FY28	FY29	FY30
136) Military benefits	0.2	0.2	0.2	0.2	0.2	0.2
137) IRA charitable distributions	cbe	cbe	cbe	cbe	cbe	cbe
138) Exemption for child support payments	9.1	9.3	9.5	9.7	9.9	10.2
139) Elective pass-through entity tax	0.0	0.0	0.0	0.0	0.0	0.0
140) Small business stock	cbe	cbe	cbe	cbe	cbe	cbe
141) Opportunity zones	cbe	cbe	cbe	cbe	cbe	cbe
142) Employer's adoption assistance program	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
<b>INCOME TAX EXEMPTIONS</b>						
143) Disaster response exemption	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
144) Small Business Growth Act of 85	cbe	cbe	cbe	cbe	cbe	cbe
145) Industrial development corps	cbe	cbe	cbe	cbe	cbe	cbe
146) AR development finance corp	cbe	cbe	cbe	cbe	cbe	cbe
147) AR Amendment 82	1.4	1.4	1.4	1.5	1.5	1.5
148) ABLE program	1.5	1.5	1.5	1.6	1.6	1.7
149) Income for churches	cbe	cbe	cbe	cbe	cbe	cbe
150) Political organizations	cbe	cbe	cbe	cbe	cbe	cbe
151) Fraternal benefit societies, orders, or associations	cbe	cbe	cbe	cbe	cbe	cbe
152) Insurance companies	cbe	cbe	cbe	cbe	cbe	cbe
153) Cemetery corporations	cbe	cbe	cbe	cbe	cbe	cbe
154) Nonprofit business leagues, chambers, boards of trade	cbe	cbe	cbe	cbe	cbe	cbe
155) Civic leagues	cbe	cbe	cbe	cbe	cbe	cbe
156) Ditch or irrigation companies	cbe	cbe	cbe	cbe	cbe	cbe
157) Farmer's mutual hail, cyclone, and fire insurance companies	cbe	cbe	cbe	cbe	cbe	cbe
158) Farmers', fruit growers', and like organizations	cbe	cbe	cbe	cbe	cbe	cbe
159) Labor, agricultural, or horticultural organizations	cbe	cbe	cbe	cbe	cbe	cbe
160) Corporations, trusts, community chest, fund or foundation	cbe	cbe	cbe	cbe	cbe	cbe
161) Nonprofit investment income	cbe	cbe	cbe	cbe	cbe	cbe
162) Military income	21.0	21.6	22.1	22.6	23.1	23.6
163) Retirement income *	64.8	66.4	68.2	69.5	71.1	72.7
164) Trust income	cbe	cbe	cbe	cbe	cbe	cbe
165) Foreign income	1.4	1.4	1.4	1.5	1.5	1.5
166) Windmill blade manufacturer	0.0	0.0	0.0	0.0	0.0	0.0
167) Windmill blade and component manufacturer	0.0	0.0	0.0	0.0	0.0	0.0
168) Biofuels manufacturer	0.0	0.0	0.0	0.0	0.0	0.0
169) Agricultural disaster programs	3.3	3.4	3.5	3.6	3.7	3.8
170) Community match rural physician recruitment program	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1
171) Dividends received	cbe	cbe	cbe	cbe	cbe	cbe
172) Coverdell Education Savings Account	cbe	cbe	cbe	cbe	cbe	cbe
173) Capital gains (50%)*	89.1	91.4	93.8	95.6	97.8	100.0
174) Capital gain in excess of \$10 million *	38.4	39.4	40.4	41.2	42.2	43.1
175) Capital gain - venture capital investment	cbe	cbe	cbe	cbe	cbe	cbe
176) Military spouse	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1	< 0.1

cbe: cannot be estimated

<0.1: less than \$100,000

## 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. § 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.

### 4) Ark. Code Ann. § 15-4-2306

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

### 5) Ark. Code Ann. § 15-4-2705

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

### 6) Ark. Code Ann. § 15-4-2706(b)

Consolidated Incentive Act of 2003- Investment tax incentives.

### 7) Ark. Code Ann. § 15-4-2708(a)

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

### 8) Ark. Code Ann. § 15-4-2708(b)

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

### 9) Ark. Code Ann. § 15-4-2708(c)

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

### 10) Ark. Code Ann. § 15-4-2709

Targeted Business Payroll Income Tax Credit.

### 11) Ark. Code Ann. § 15-4-2803

Biodiesel Incentive Act Tax Credit for biodiesel suppliers.

### 12) Ark. Code Ann. § 15-4-3302

Equity Investment Act of 2007 Income tax credit.

### 13) Ark. Code Ann. § 15-5-1304

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

### 14) 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.

### 15) Ark. Code Ann. § 15-11-509

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

### 16) Ark. Code Ann. § 20-86-109

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

### 17) 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.

### 18) Ark. Code Ann. § 26-51-211

Economic incentive to mine coal in Arkansas.

### 19) 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.

### 20) Ark. Code Ann. § 26-51-445

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

### 21) Ark. Code Ann. § 26-51-501

Allows a credit of \$29 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). Statute is \$26 but currently at \$29 with inflation adjustment.

### 22) 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.

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

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

**24) Ark. Code Ann. § 26-51-503**

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

**25) 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.

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

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

**27) Ark. Code Ann. § 26-51-509**

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

**28) Ark. Code Ann. § 26-51-512**

Economic incentive to purchase rice straw for processing.

**29) Ark. Code Ann. § 26-51-516**

Individual income tax credit of \$500 for taxpayers who have a stillborn child.

**30) Ark. Code Ann. § 26-51-515**

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.

**31) Ark. Code Ann. § 26-51-1005**

Economic incentive to construct, install or restore water impoundments.

**32) Ark. Code Ann. § 26-51-1007**

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

**33) Ark. Code Ann. § 26-51-1008**

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

**34) Ark. Code Ann. § 26-51-1009**

Economic incentive for leveling land to preserve irrigation water.

**35) 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.

**36) Ark. Code Ann. § 26-51-1102(b)**

Provides credit equal to thirty-three percent (33%) of the qualified research expenditures of a taxpayer in qualified research programs.

**37) Ark. Code Ann. § 26-51-1102(c)**

Provides credit equal to thirty-three percent (33%) of a donation made to an accredited institution of higher education to support a research park authority.

**38) Ark. Code Ann. § 26-51-1504**

Economic incentive for donating land for conservation purposes.

**39) Ark. Code Ann. § 26-51-1702**

Economic Incentive to invest in low-income housing.

**40) Ark. Code Ann. § 26-51-1902**

Economic incentive to pay for higher education tuition for employees.

**41) Ark. Code Ann. § 26-51-2204**

Provides a tax credit for the rehabilitation of historic structures.

**42) Ark. Code Ann. § 26-51-2401**

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

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

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

**44) 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.

**45) Ark. Code Ann. § 7-6-222**

Allows a tax credit of up to \$50 per taxpayer for contributions made to an Arkansas political candidate, action committee, or party. Passed by voters on Nov. 5, 1996.

**46) Ark. Code Ann. § 26-51-516**

Allows a \$500 income tax credit for taxpayers who have a stillborn child.

**47) Ark. Code Ann. § 26-51-501(a)(6)**

Allows up to a \$60 credit for qualified taxpayers, with income phase-outs.

**48) Ark. Code Ann. § 26-51-506(c)(1)**

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

**49) Ark. Code Ann. § 26-51-1215(b)**

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

**50) Ark. Code Ann. § 26-51-506(c)(2)**

Credit for purchase of waste reduction, reuse, or recycling equipment – Amendment 82 project.

**51) Ark. Code Ann. § 26-51-506(c)(3)(A)**

Credit for purchase of waste reduction, reuse, or recycling equipment – qualified expansion project.

**52) Ark. Code Ann. § 26-51-506(c)(3)(B)**

Credit for purchase of waste reduction, reuse, or recycling equipment – qualified growth project.

**INCOME TAX DEDUCTIONS**

**53) Ark. Code Ann. § 23-18-910**

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

**54) 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.

**55) Ark. Code Ann. § 26-51-403(b)(1)**

Trade and business deductions. Includes gambling losses.

**56) Ark. Code Ann. § 26-51-403(b)(2)**

Trade and business deductions of employee.

**57) Ark. Code Ann. § 26-51-403(b)(3)**

Employee expenses reimbursed by employer.

**58) Ark. Code Ann. § 26-51-403(b)(4)**

Loss from the sale or exchange of property deduction.

**59) Ark. Code Ann. § 26-51-403(b)(5)**

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

**60) Ark. Code Ann. § 26-51-403(b)(6)**

Certain deductions of life tenants and income beneficiaries of property.

**61) Ark. Code Ann. § 26-51-403(b)(7)**

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

**62) Ark. Code Ann. § 26-51-403(b)(9)**

Deduction for alimony or 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. § 26-51-404(b)(33)**

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. § 26-51-418**

Allows a deduction for the care of individuals with disabilities.

**75) Ark. Code Ann. § 26-51-419**

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

**76) 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.

**77) Ark. Code Ann. § 26-51-423(a)(1)**

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

**78) Ark. Code Ann. § 26-51-423(a)(2)**

Allows a deduction for medical and dental expenses pursuant to IRC § 213.

**79) Ark. Code Ann. § 26-51-423(a)(3)**

Allows a deduction for business travel expenses.

**80) 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.

**81) Ark. Code Ann. § 26-51-423(b)**

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

**82) Ark. Code Ann. § 26-51-423(c)(1)**

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

**83) Ark. Code Ann. § 26-51-423(d)**

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

**84) Ark. Code Ann. § 26-51-423(e)**

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

**85) 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.

**86) Ark. Code Ann. § 26-51-423(g)(1)**

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

**87) Ark. Code Ann. § 26-51-423(h)**

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

**88) Ark. Code Ann. § 26-51-424**

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

**89) Ark. Code Ann. § 26-51-425 and 426**

Allows a deduction for debts ascertained to be worthless and charged off the books; for bad debt expense by banks and savings & loans.

**90) Ark. Code Ann. § 26-51-427**

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

**91) 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.

**92) Ark. Code Ann. § 26-51-428(c)**

Allows a deduction for the amortization of goodwill and certain other intangibles pursuant to IRC § 197.

**93) Ark. Code Ann. § 26-51-429**

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

**94) Ark. Code Ann. § 26-51-430**

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

**95) Ark. Code Ann. § 26-51-437**

Allows a deduction for miscellaneous itemized deductions.

**96) Ark. Code Ann. § 26-51-439(a)**

Capitalization and inclusion in inventory costs of certain expenses deduction pursuant to IRC § 263A.

**97) Ark. Code Ann. § 26-51-439(b)**

Capitalization and amortization of corporation start-up costs deduction pursuant to IRC § 195.

**98) Ark. Code Ann. § 26-51-439(c)**

Capitalization and amortization of corporation organization expenses deduction pursuant to IRC § 248.

**99) Ark. Code Ann. § 26-51-440**

Dividends paid to qualified "non-captive" real estate investment trusts deduction pursuant to IRC § 851.

**100) Ark. Code Ann. § 26-51-444**

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

**101) Ark. Code Ann. § 26-51-447**

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

**102) Ark. Code Ann. § 26-51-450**

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

**103) 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).

**104) 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).

**105) 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.

**106) Ark. Code Ann. § 26-51-459(c)**

Teacher's qualified classroom investment expenses deduction.

**107) 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).

**108) Ark. Code Ann. § 26-51-1801**

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

**109) Ark. Code Ann. § 26-51-2103**

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

**INCOME TAX EXCLUSIONS**

**110) Ark. Code Ann. § 26-51-202**

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

**111) 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.

**112) Ark. Code Ann. § 26-51-404(a)(4)**

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

**113) 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.

**114) 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 pursuant to IRC § 121.

**115) 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.

**116) Ark. Code Ann. § 26-51-404(b)(4)**

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

**117) 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.

**118) Ark. Code Ann. § 26-51-404(b)(6)**

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

**119) Ark. Code Ann. § 26-51-404(b)(9)**

Excludes the rental value of parsonages from gross income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**127) 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.

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

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

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

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

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

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

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

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

**132) 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.

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

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

**134) 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.

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

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

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

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

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

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

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

Excludes child support payments from income.

**139) Ark. Code Ann. § 26-51-404(b)(35)**

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 (which is reported separately).

**140) Ark. Code Ann. § 26-51-815(c)**

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

**141) Ark. Code Ann. § 26-51-460**

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

**142) Ark. Code Ann. § 26-51-404(b)(25)**

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

**INCOME TAX EXEMPTIONS**

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

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

**144) Ark. Code Ann. § 15-4-413**

Bonds issued and interest on bonds exempt.

**145) Ark. Code Ann. § 15-4-524**

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

**146) Ark. Code Ann. § 15-4-925**

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

**147) Ark. Code Ann. § 15-4-3216**

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

**148) 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.

**149) 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.

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

Exempts political organizations from tax.

**151) Ark. Code Ann. § 26-51-303(a)(1)**

Exempts organizations and fraternities operating under the lodge system.

**152) Ark. Code Ann. § 26-51-303(a)(2)**

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

**153) Ark. Code Ann. § 26-51-303(a)(3)**

Cemeteries are exempt from paying income tax.

**154) Ark. Code Ann. § 26-51-303(a)(4)**

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

**155) Ark. Code Ann. § 26-51-303(a)(5)**

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

**156) 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.

**157) 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.

**158) 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.

**159) Ark. Code Ann. § 26-51-303(a)(8)**

Exempts labor, agricultural, or horticultural organizations.

**160) 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.

**161) Ark. Code Ann. § 26-51-304**

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

**162) 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.

**163) Ark. Code Ann. § 26-51-307**

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

**164) 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.

**165) Ark. Code Ann. § 26-51-310**

Certain amounts of foreign earned income and housing costs are exempt from income tax pursuant to IRC § 911 and 912.

**166) Ark. Code Ann. § 26-51-311**

Exempts a qualified windmill blade manufacturer from income tax.

**167) Ark. Code Ann. § 26-51-312**

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

**168) Ark. Code Ann. § 26-51-313**

Exempts qualified drop-in Biofuels manufacturers from income tax.

**169) Ark. Code Ann. § 26-51-314**

Exempts payments from an agricultural disaster program from income tax.

**170) Ark. Code Ann. § 26-51-315**

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

**171) Ark. Code Ann. § 26-51-404(b)(8)**

Dividends received from a subsidiary at least 80% owned.

**172) Ark. Code Ann. § 26-51-448(a)**

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

**173) Ark. Code Ann. § 26-51-815(b)(2)**

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

**174) Ark. Code Ann. § 26-51-815(b)(3)**

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

**175) Ark. Code Ann. § 26-51-815(d)**

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

**176) Public Law 111-97**

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

Arkansas Tax Exemptions January 2025: Appendix

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

<b>Exemption: livestock, poultry, poultry products, dairy products</b>	Distribution by GDP Sector	
	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>
Agriculture	2.5	100.0
Mining	0.6	
Utilities	2.8	
Construction	4.3	
Manufacturing	14.6	
Wholesale trade	8.1	
Retail trade	8.0	
Transportation	4.4	
Information	1.9	
Finance, insurance, real estate	15.4	
Professional/business services	11.2	
Educational services, health care, social assistance	9.0	
Arts, entertainment, recreation, accomodation and food services	3.8	
Other services	2.4	
<b>Government</b>	<b>11.1</b>	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

<b>Exemption: feedstuffs in commercial production of livestock/poultry</b>	Distribution by GDP Sector	
	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>
Agriculture	2.5	100.0
Mining	0.6	
Utilities	2.8	
Construction	4.3	
Manufacturing	14.6	
Wholesale trade	8.1	
Retail trade	8.0	
Transportation	4.4	
Information	1.9	
Finance, insurance, real estate	15.4	
Professional/business services	11.2	
Educational services, health care, social assistance	9.0	
Arts, entertainment, recreation, accomodation and food services	3.8	
Other services	2.4	
<b>Government</b>	<b>11.1</b>	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Arkansas Tax Exemptions January 2025: Appendix

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

<b>Exemption: agricultural fertilizer, limestone, and chemicals/pesticides</b>	Distribution by GDP Sector	
	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>
Agriculture	2.5	100.0
Mining	0.6	
Utilities	2.8	
Construction	4.3	
Manufacturing	14.6	
Wholesale trade	8.1	
Retail trade	8.0	
Transportation	4.4	
Information	1.9	
Finance, insurance, real estate	15.4	
Professional/business services	11.2	
Educational services, health care, social assistance	9.0	
Arts, entertainment, recreation, accomodation and food services	3.8	
Other services	2.4	
<b>Government</b>	<b>11.1</b>	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

<b>Exemption: nonprofit/charitable hospital, sanitarium, nursing homes</b>	Distribution by GDP Sector	
	<u>Sector Share (%)</u>	<u>Percent of Exemption</u>
Agriculture	2.5	
Mining	0.6	
Utilities	2.8	
Construction	4.3	
Manufacturing	14.6	
Wholesale trade	8.1	
Retail trade	8.0	
Transportation	4.4	
Information	1.9	
Finance, insurance, real estate	15.4	
Professional/business services	11.2	
Educational services, health care, social assistance	9.0	100.0
Arts, entertainment, recreation, accomodation and food services	3.8	
Other services	2.4	
<b>Government</b>	<b>11.1</b>	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Arkansas Tax Exemptions January 2025: Appendix

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

<b>Exemption: reduced rate for utilities used by manufacturers</b>	Distribution by GDP Sector	
	<u>Sector</u>	<u>Percent of</u>
	<u>Share (%)</u>	<u>Exemption</u>
Agriculture	2.5	
Mining	0.6	
Utilities	2.8	
Construction	4.3	
Manufacturing	14.6	100.0
Wholesale trade	8.1	
Retail trade	8.0	
Transportation	4.4	
Information	1.9	
Finance, insurance, real estate	15.4	
Professional/business services	11.2	
Educational services, health care, social assistance	9.0	
Arts, entertainment, recreation, accomodation and food services	3.8	
Other services	2.4	
<b>Government</b>	<b>11.1</b>	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

<b>Exemption: manufacturing machinery and equipment</b>	Distribution by GDP Sector	
	<u>Sector</u>	<u>Percent of</u>
	<u>Share (%)</u>	<u>Exemption</u>
Agriculture	2.5	100.0
Mining	0.6	
Utilities	2.8	
Construction	4.3	
Manufacturing	14.6	
Wholesale trade	8.1	
Retail trade	8.0	
Transportation	4.4	
Information	1.9	
Finance, insurance, real estate	15.4	
Professional/business services	11.2	
Educational services, health care, social assistance	9.0	
Arts, entertainment, recreation, accomodation and food services	3.8	
Other services	2.4	
<b>Government</b>	<b>11.1</b>	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Arkansas Tax Exemptions January 2025: Appendix

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

<b>Exemption: manufacturing repair or replacement parts</b>	Distribution by GDP Sector	
	<u>Sector</u> <u>Share (%)</u>	<u>Percent of</u> <u>Exemption</u>
Agriculture	2.5	
Mining	0.6	
Utilities	2.8	
Construction	4.3	
Manufacturing	14.6	100.0
Wholesale trade	8.1	
Retail trade	8.0	
Transportation	4.4	
Information	1.9	
Finance, insurance, real estate	15.4	
Professional/business services	11.2	
Educational services, health care, social assistance	9.0	
Arts, entertainment, recreation, accommodation and food services	3.8	
Other services	2.4	
<b>Government</b>	<b>11.1</b>	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Arkansas Tax Exemptions January 2025: Appendix

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

**Quintile Divisions of Income**

<b>Exemption: prescription drugs</b>	<b>All Quintiles</b>	<b>Lowest 20 Percent</b>	<b>Second 20 Percent</b>	<b>Third 20 Percent</b>	<b>Fourth 20 Percent</b>	<b>Highest 20 Percent</b>
Avg Annual Household Expend. For Drugs	\$591	\$351	\$496	\$776	\$624	\$704
Estimated distribution of exemption (\$M)		\$33.6	\$47.5	\$74.3	\$59.8	\$67.4

**Quintile Divisions of Income**

<b>Exemption: gasoline or motor vehicle fuel</b>	<b>All Quintiles</b>	<b>Lowest 20 Percent</b>	<b>Second 20 Percent</b>	<b>Third 20 Percent</b>	<b>Fourth 20 Percent</b>	<b>Highest 20 Percent</b>
Avg Annual Household Expend. For Motor Fuels	\$2,694	\$1,324	\$2,134	\$2,700	\$3,369	\$3,936
Estimated distribution of exemption (\$M)		\$47.4	\$76.4	\$96.7	\$120.6	\$141.0

**Quintile Divisions of Income**

<b>Exemption: reduced rate for food/food ingredients</b>	<b>All Quintiles</b>	<b>Lowest 20 Percent</b>	<b>Second 20 Percent</b>	<b>Third 20 Percent</b>	<b>Fourth 20 Percent</b>	<b>Highest 20 Percent</b>
Avg Annual Household Expend. For Food-At-Home	\$6,053	\$3,707	\$4,680	\$5,756	\$6,917	\$9,198
Estimated distribution of exemption (\$M)		\$62.4	\$78.8	\$97.0	\$116.5	\$154.9

**Quintile Divisions of Income**

<b>Exemption: motor vehicle trade-in allowance</b>	<b>All Quintiles</b>	<b>Lowest 20 Percent</b>	<b>Second 20 Percent</b>	<b>Third 20 Percent</b>	<b>Fourth 20 Percent</b>	<b>Highest 20 Percent</b>
Avg Annual Household Expend. For Vehicles	\$5,539	\$1,576	\$2,373	\$4,828	\$6,683	\$12,214
Estimated distribution of exemption (\$M)		\$9.1	\$13.8	\$28.0	\$38.8	\$70.9

## 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 \$24,300	40.2	37.6
\$24,300 - \$87,000	50.3	47.2
Greater than \$87,000	16.2	15.2
<b>Total</b>	<b>106.7</b>	<b>100.0</b>

#### Other State Tax Credits

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$24,300	2.1	2.5
\$24,300 - \$87,000	20.6	24.1
Greater than \$87,000	62.6	73.4
<b>Total</b>	<b>85.3</b>	<b>100.0</b>

#### Border City Exemption

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$24,300	1.7	6.5
\$24,300 - \$87,000	9.8	37.1
Greater than \$87,000	14.9	56.4
<b>Total</b>	<b>26.4</b>	<b>100.0</b>

#### Deduction for Interest

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$24,300	7.8	6.0
\$24,300 - \$87,000	52.7	50.0
Greater than \$87,000	46.6	44.0
<b>Total</b>	<b>107.1</b>	<b>100.0</b>

#### Deduction for Other Taxes Paid

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$24,300	6.4	6.0
\$24,300 - \$87,000	50.0	50.0
Greater than \$87,000	43.9	44.0
<b>Total</b>	<b>100.3</b>	<b>100.0</b>

#### Deduction for Charitable Contributions

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$24,300	2.9	6.0
\$24,300 - \$87,000	17.8	50.0
Greater than \$87,000	15.7	44.0
<b>Total</b>	<b>36.4</b>	<b>100.0</b>

## 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 \$24,300	4.6	6.0
\$24,300 - \$87,000	36	50.0
Greater than \$87,000	31.8	44.0
<b>Total</b>	<b>72.4</b>	<b>100.0</b>

#### Deduction for Net Operating Loss

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$24,300	21.5	92.0
\$24,300 - \$87,000	0.5	2.0
Greater than \$87,000	1.40	6.0
<b>Total</b>	<b>23.3</b>	<b>100.0</b>

#### Deduction for Depreciation

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$24,300	2.5	6.0
\$24,300 - \$87,000	19.1	50.0
Greater than \$87,000	16.9	44.0
<b>Total</b>	<b>38.4</b>	<b>100.0</b>

#### Standard Deduction

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$24,300	19.1	29.1
\$24,300 - \$87,000	42.7	65.2
Greater than \$87,000	3.7	5.7
<b>Total</b>	<b>65.5</b>	<b>100.0</b>

#### Miscellaneous Itemized Deductions

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$24,300	1.6	6.0
\$24,300 - \$87,000	12.6	50.0
Greater than \$87,000	11.1	44.0
<b>Total</b>	<b>25.4</b>	<b>100.0</b>

#### Exemption for Retirement Income

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$24,300	9.9	16.0
\$24,300 - \$87,000	29.5	47.9
Greater than \$87,000	22.3	36.1
<b>Total</b>	<b>61.6</b>	<b>100.0</b>

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 \$24,300	5.4	6.0
\$24,300 - \$87,000	42.1	50.0
Greater than \$87,000	37.2	44.0
Total	84.7	100.0

**Capital Gains In Excess of \$10 Million**

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
Less than \$24,300	0.0	0.0
\$24,300 - \$87,000	0.0	0.0
Greater than \$87,000	36.5	100.0
Total	36.5	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	9.2	1
\$100,001 - \$500,000	46.2	5
\$500,001 - \$1,000,000	37.0	4
\$1,000,001 - \$2,000,000	55.4	6
\$2,000,001 - \$5,000,000	110.9	12
\$5,000,001 - \$10,000,000	110.9	12
\$10,000,001 and higher	554.4	60
Total	924.0	100

**Deduction for Other Taxes Paid**

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
\$0 - \$100,000	2.9	1
\$100,001 - \$500,000	14.6	5
\$500,001 - \$1,000,000	11.6	4
\$1,000,001 - \$2,000,000	17.5	6
\$2,000,001 - \$5,000,000	34.9	12
\$5,000,001 - \$10,000,000	34.9	12
\$10,000,001 and higher	174.6	60
Total	291.0	100

**Deduction for Charitable Contributions**

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
\$0 - \$100,000	2.1	1
\$100,001 - \$500,000	10.6	5
\$500,001 - \$1,000,000	8.5	4
\$1,000,001 - \$2,000,000	12.7	6
\$2,000,001 - \$5,000,000	25.4	12
\$5,000,001 - \$10,000,000	25.4	12
\$10,000,001 and higher	127.1	60
Total	211.8	100

**Deduction for Worthless Debts**

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
\$0 - \$100,000	0.6	1
\$100,001 - \$500,000	3.0	5
\$500,001 - \$1,000,000	2.4	4
\$1,000,001 - \$2,000,000	3.6	6
\$2,000,001 - \$5,000,000	7.1	12
\$5,000,001 - \$10,000,000	7.1	12
\$10,000,001 and higher	35.7	60
Total	59.5	100

## 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	57.7	71
\$0 - \$100,000	4.4	5
\$100,001 - \$500,000	6.2	8
\$500,001 - \$1,000,000	1.8	2
\$1,000,001 - \$2,000,000	2.5	3
\$2,000,001 - \$5,000,000	6.4	8
\$5,000,001 - \$10,000,000	1.4	2
\$10,000,001 and higher	0.7	1
<b>Total</b>	<b>81.0</b>	<b>100</b>

### Deduction for Depreciation

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
\$0 - \$100,000	4.9	1
\$100,001 - \$500,000	24.3	5
\$500,001 - \$1,000,000	19.4	4
\$1,000,001 - \$2,000,000	29.2	6
\$2,000,001 - \$5,000,000	58.3	12
\$5,000,001 - \$10,000,000	58.3	12
\$10,000,001 and higher	291.6	60
<b>Total</b>	<b>486.0</b>	<b>100</b>

### Deduction for Dividends Paid

<u>Income Class</u>	<u>Amount</u>	<u>Percent</u>
\$0 - \$100,000	0.1	1
\$100,001 - \$500,000	0.7	5
\$500,001 - \$1,000,000	0.5	4
\$1,000,001 - \$2,000,000	0.8	6
\$2,000,001 - \$5,000,000	1.6	12
\$5,000,001 - \$10,000,000	1.6	12
\$10,000,001 and higher	7.9	60
<b>Total</b>	<b>13.2</b>	<b>100</b>