



ARKANSAS
STATE CHAMBER
OF COMMERCE



ASSOCIATED
INDUSTRIES OF
ARKANSAS

Business matters.



ARKANSAS STATE CHAMBER/AIA

2024 Arkansas Progress & Outlook Tour





Business matters.



Arkansas is more economically competitive than ever before.

Arkansas was recently named the **15th most economically competitive state in the nation** according to the American Legislative Exchange Council (ALEC).



Business matters.

For the 2nd year in a row, ALEC ranked Arkansas 15th in the nation in both economic performance and economic outlook.

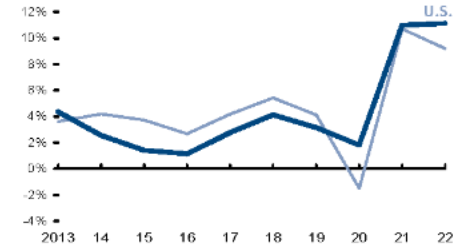
Arkansas

2024 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

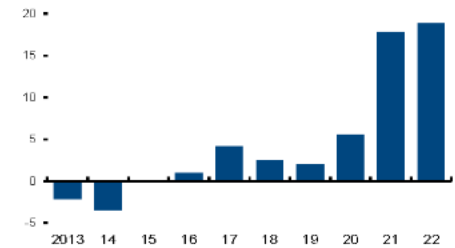
15 Economic Performance Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

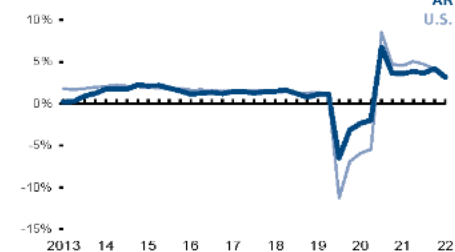
State Gross Domestic Product
Cumulative Growth 2012-2022 52.29% Rank: 22 AR U.S.



Absolute Domestic Migration
Cumulative 2013-2022 46,148 Rank: 19 (in thousands)



Non-Farm Payroll Employment
Cumulative 2012-2022 14.43% Rank: 16 AR U.S.



15 Economic Outlook Rank

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison 2017 2018 2019 2020 2021 2022 2023
ECONOMIC OUTLOOK RANK 23 22 23 22 23 16 15

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.40%	14
Top Marginal Corporate Income Tax Rate	4.80%	12
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$11.07	29
Property Tax Burden (per \$1,000 of personal income)	\$16.81	2
Sales Tax Burden (per \$1,000 of personal income)	\$37.74	47
Remaining Tax Burden (per \$1,000 of personal income)	\$15.95	27
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2022 & 2023, per \$1,000 of personal income)	-\$7.14	4
Debt Service as a Share of Tax Revenue	4.05%	12
Public Employees Per 10,000 of Population (full time equivalent)	548.5	37
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.5	30
State Minimum Wage (federal floor is \$7.25)	\$11.00	26
Average Workers' Compensation Costs (per \$100 of payroll)	\$0.65	3
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

The report showed that Arkansas ranked 4th best in the nation for recently legislated tax changes.

Arkansas ranked competitively in several other key areas, including non-farm payroll employment, workers' compensation costs, absolute domestic migration, and top marginal personal and corporate income tax rates.



Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2022 & 2023, per \$1,000 of personal income)	-\$7.14	4
Debt Service as a Share of Tax Revenue	4.05%	12

Top States for Doing Business

Arkansas ranks the **12th best state** for doing business and the **8th lowest overall cost of doing business in 2024.**

In this survey, leading industry consultants evaluate states based on 14 factors such as: access to qualified labor, availability of sites, energy availability & costs, and favorable regulatory environment. In 2023, Arkansas ranked the 18th best state for doing business.



- 
1. Georgia
 2. South Carolina
 3. Tennessee
 4. North Carolina
 5. Indiana
 6. Ohio
 7. Texas
 8. Alabama
 9. Virginia
 10. Michigan
 11. Louisiana
 - 12. Arkansas**
 13. Kentucky
 14. Arizona
 15. Mississippi

Gross Domestic Product by State

Arkansas ranks 9th in the nation for fastest growing GDP.

Arkansas experienced an 11.1% increase in its gross domestic product (GDP) from 2021 to 2022, making it one of the fastest growing economies in the United States.

Gross Domestic Product by State in Current Dollars (2022)

State	2022 GDP (in Millions)	% of US GDP	2021 GDP (in Millions)	% Change (2021-2022)	Rank
1 California	\$3,598,103	14.1%	\$3,373,241	6.7%	47
2 Texas	\$2,355,960	9.3%	\$2,051,769	14.8%	2
3 New York	\$2,053,180	8.1%	\$1,901,297	8.0%	39
4 Florida	\$1,389,070	5.5%	\$1,255,558	10.6%	14
5 Illinois	\$1,033,310	4.1%	\$945,674	9.3%	27
6 Pennsylvania	\$923,089	3.6%	\$844,497	9.3%	26
7 Ohio	\$822,620	3.2%	\$756,617	8.7%	35
8					
9 Arkansas	\$210,671	0.8%	\$191,381	10.1%	19
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District of Columbia	\$162,314	0.6%	\$153,671	5.6%	
United States	\$25,462,722		\$23,315,081	9.2%	

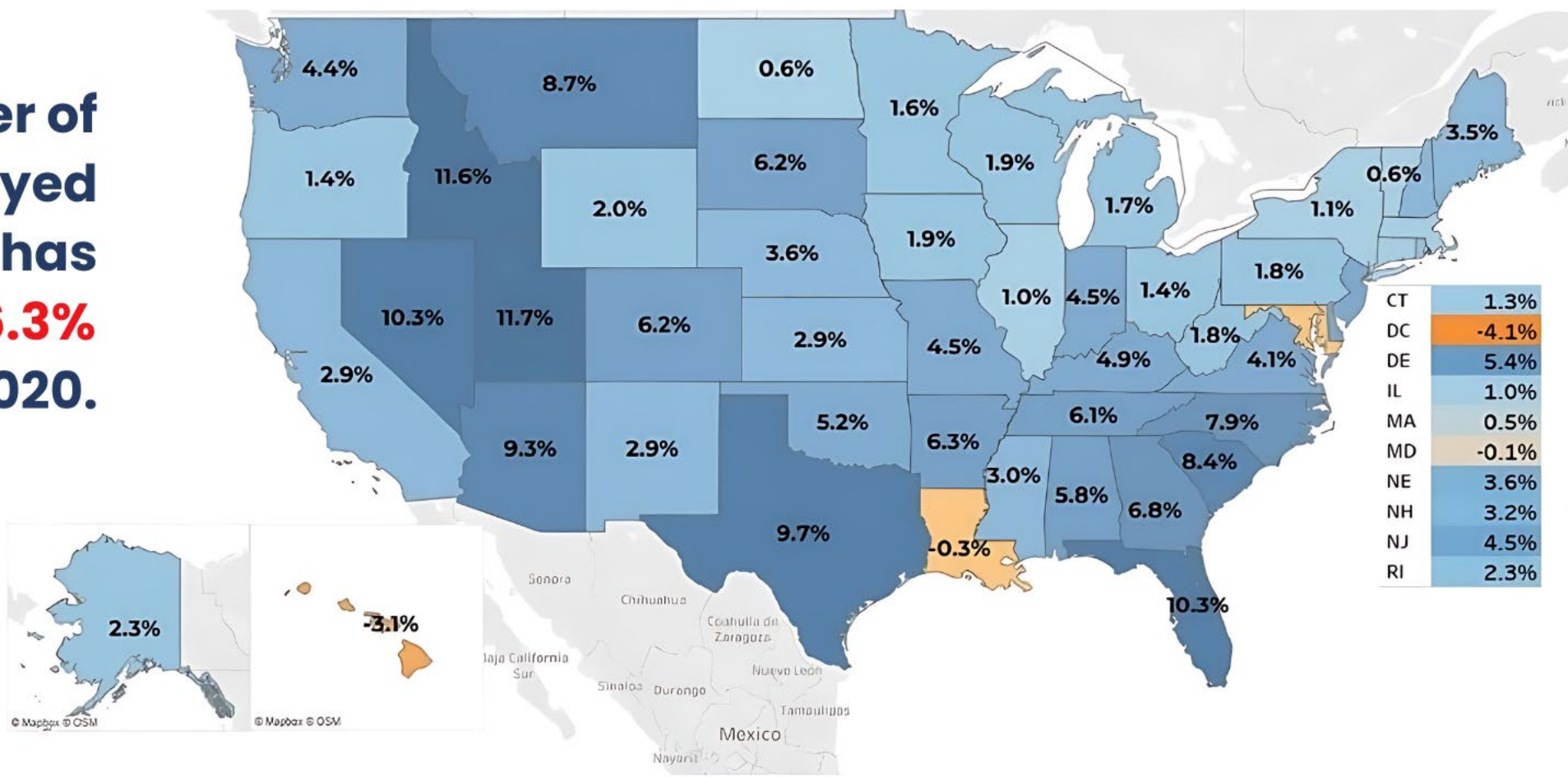
TABLE 7

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Job Gains

since pre-COVID record-high payroll employment

The number of people employed in Arkansas has increased **by 6.3%** since March 2020.



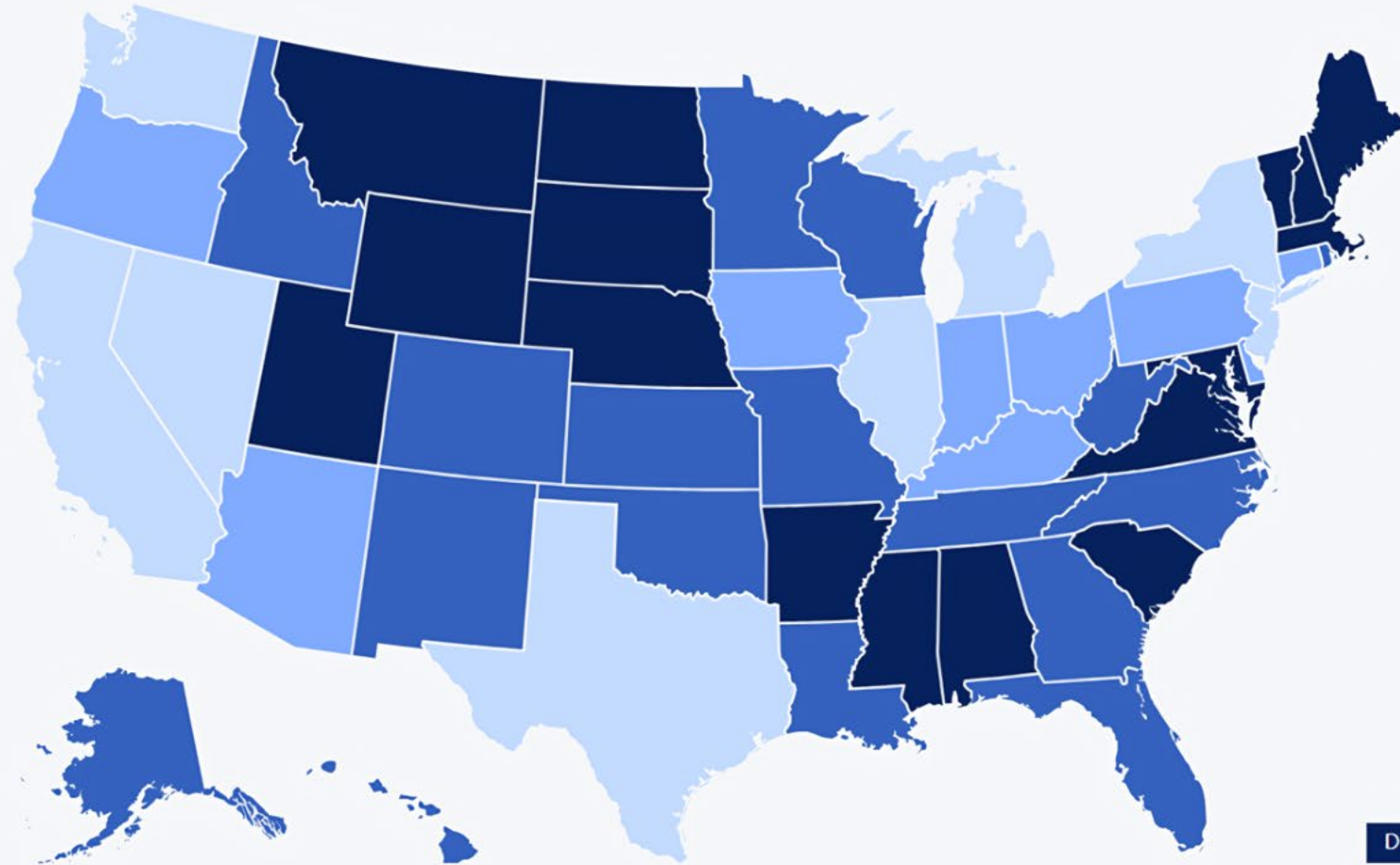
Source: NAR Analysis of BLS data

% change from March 2020 to April 2024

Labor Shortage across America

Arkansas has **44** available workers for every **100** open jobs.

According to the Bureau of Labor Statistics, Arkansas is among the states most heavily impacted by the labor shortage.



Worker Shortage Index

Least severe Severe More severe Most severe

More Men Are Dropping Out of the Workforce

2.5%

In 1954, 2.5% of men ages 25-54 were disengaged from the workforce.



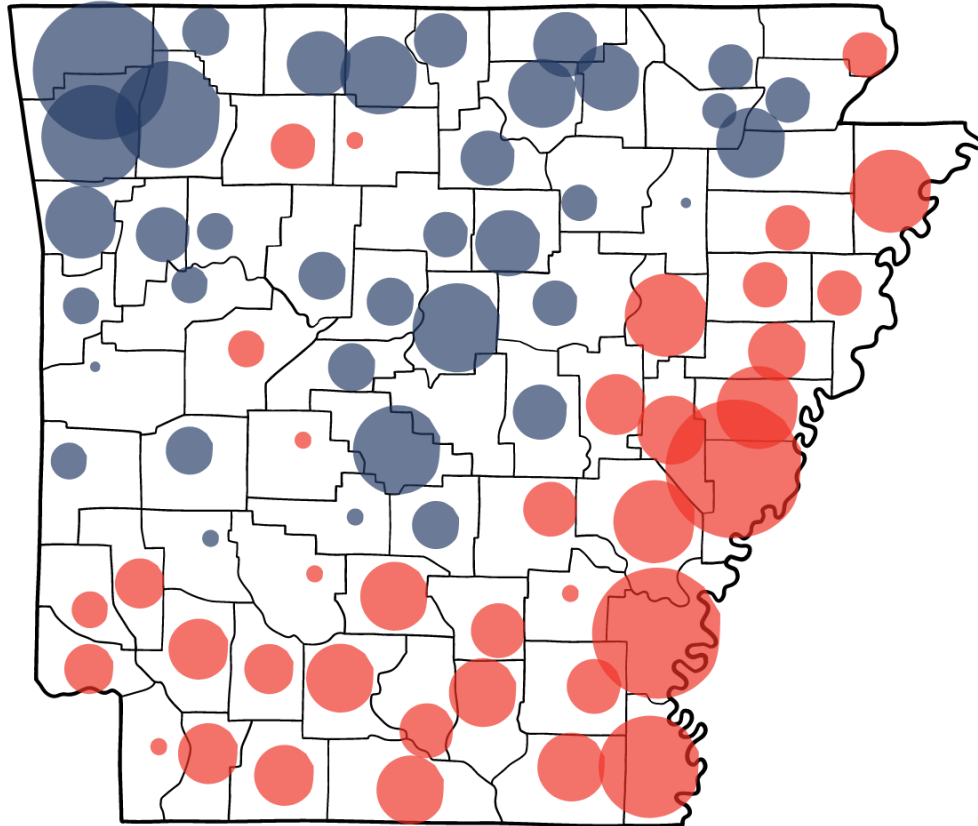
vs.

10.5%

Today, 10.5% of men in their prime working years (roughly 6.8 million men) are neither working nor seeking employment.



Population Growth



Percent change in total population, 2020-2023

- Population increase
- Population decrease

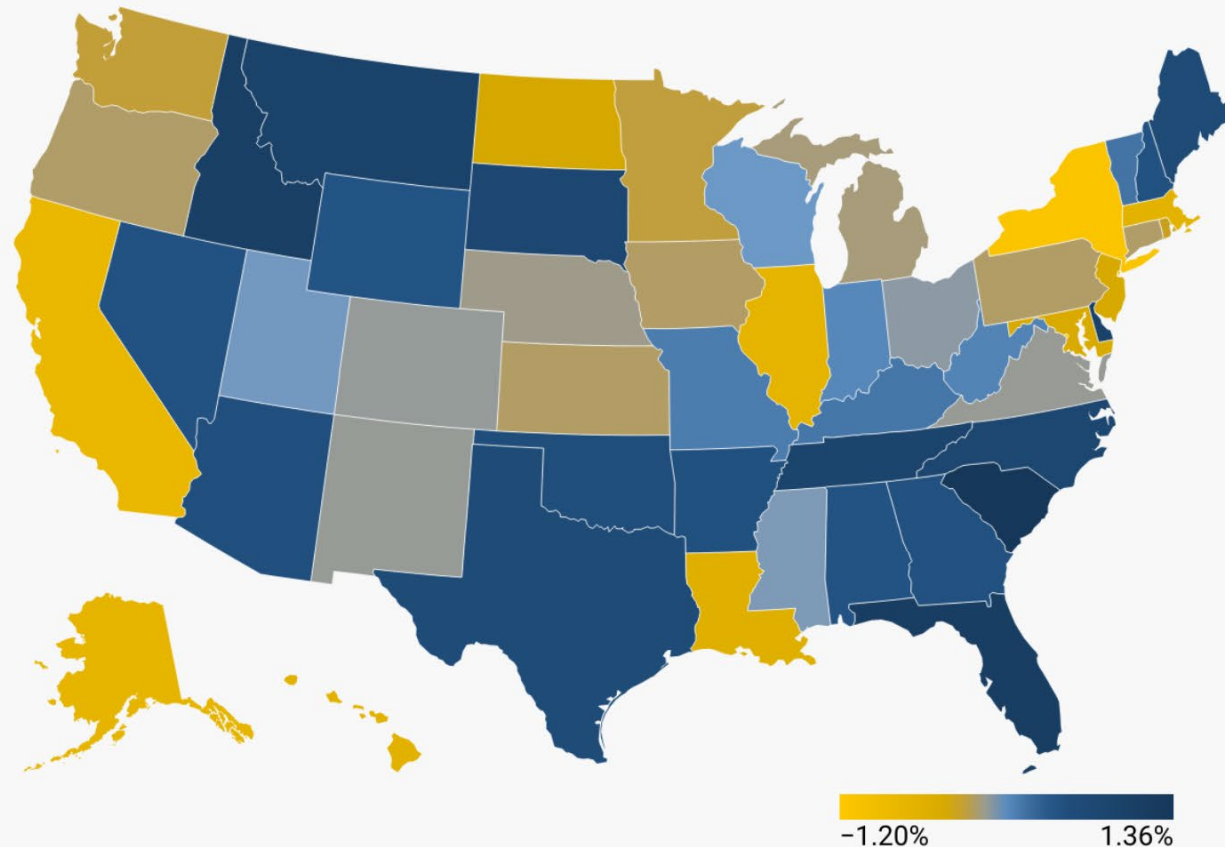
Within the past 4 years, our population has grown by 2.58%, making Arkansas the **14th fastest-growing state in the nation.**

Since April 2020, our population has increased by an average of 18,251 annually, which is comparable to adding the population of Bryant each year.

Interstate Migration



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Arkansas had the 13th highest rate of inbound movers compared to other states in 2021.

States with lower taxes and sound tax structures experienced stronger inbound migration than states with higher taxes and more burdensome tax structures.

This map shows the 2021-2022 state population changes attributable to interstate migration based on gains and losses in income tax returns filed, the number of residents on those tax returns, and the AGI attributable to interstate migration for each state.

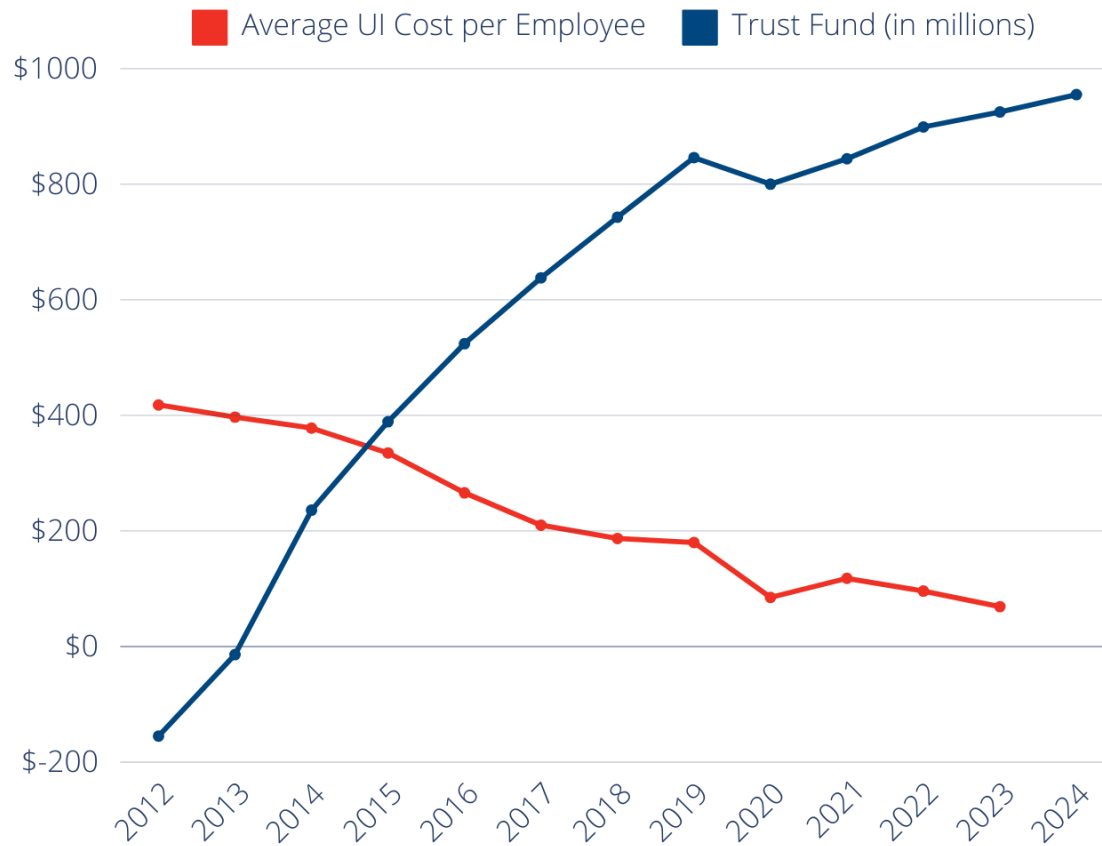
Sources: Tax Foundation calculations using IRS and Census data

POLICY MATTERS.



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Unemployment Insurance



Employers' average UI cost per employee has decreased by 84% since 2012.

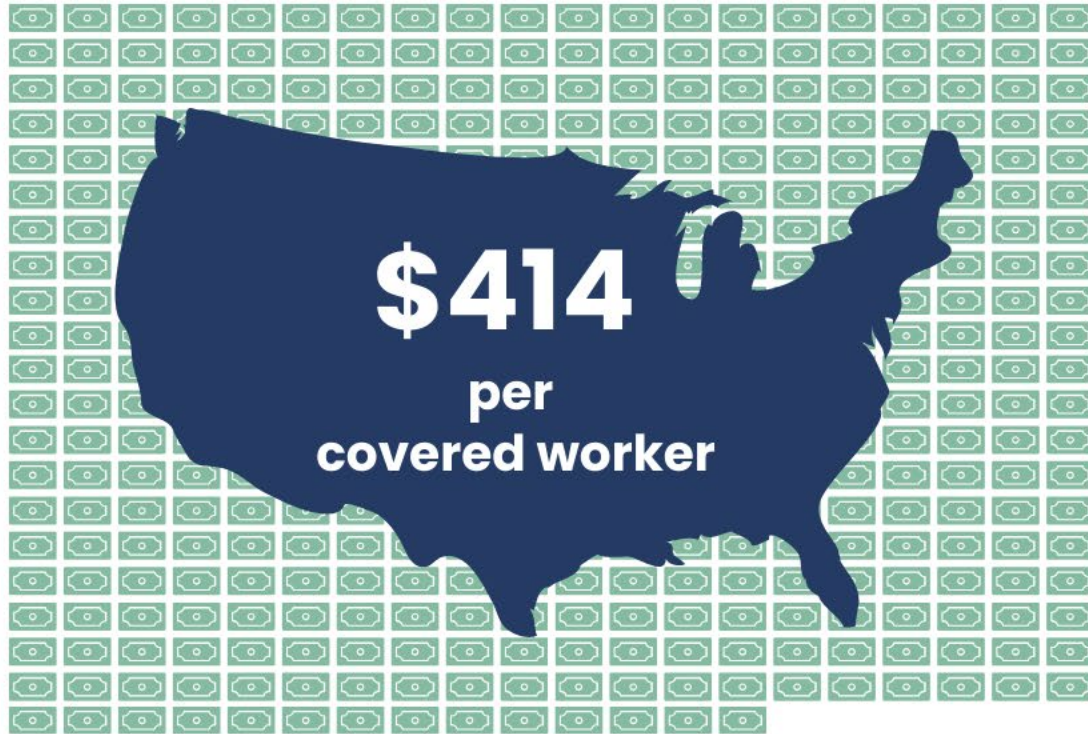
Since 2012, the average cost of UI per employee has fallen from **\$417.60** to **\$68.60**.

Meanwhile, the UI trust fund has reached an all-time high of **\$958 million**.

Workers' Compensation Costs



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Arkansas employers save \$220 per covered employee in workers' compensation costs compared to the national average.

That's \$254 million per year in annual savings.

Workers' Compensation Costs

According to the American Legislative Exchange Council (ALEC), Arkansas has the **3rd lowest** workers' compensation costs in the nation.



Arkansas individual & corporate income tax reductions

\$102 million taxpayer savings

2015

- ✓ Simplified brackets
- ✓ Middle income

\$50 million taxpayer savings

2017

- ✓ Low income

\$45 million taxpayer savings

2019

- ✓ Indiv. & corp. to 5.9%
- ✓ Remote seller tax collection
- ✓ Extension of net op. loss carry forward
- ✓ Single sales factor

\$500 million taxpayer savings

2021

- ✓ Indiv. Tax = 4.9%
- ✓ Corp. Tax = 5.3%
- ✓ SALT tax = \$50m in savings
- ✓ Remote worker sourcing

\$471 million taxpayer savings

2023

- ✓ Indiv. Tax = 4.4%
- ✓ Corp. Tax = 4.8%

\$484 million taxpayer savings

2024

- ✓ Indiv. Tax = 3.9%
- ✓ Corp. Tax = 4.3%

Total annual cost savings as a result of recent income & corporate tax reform:

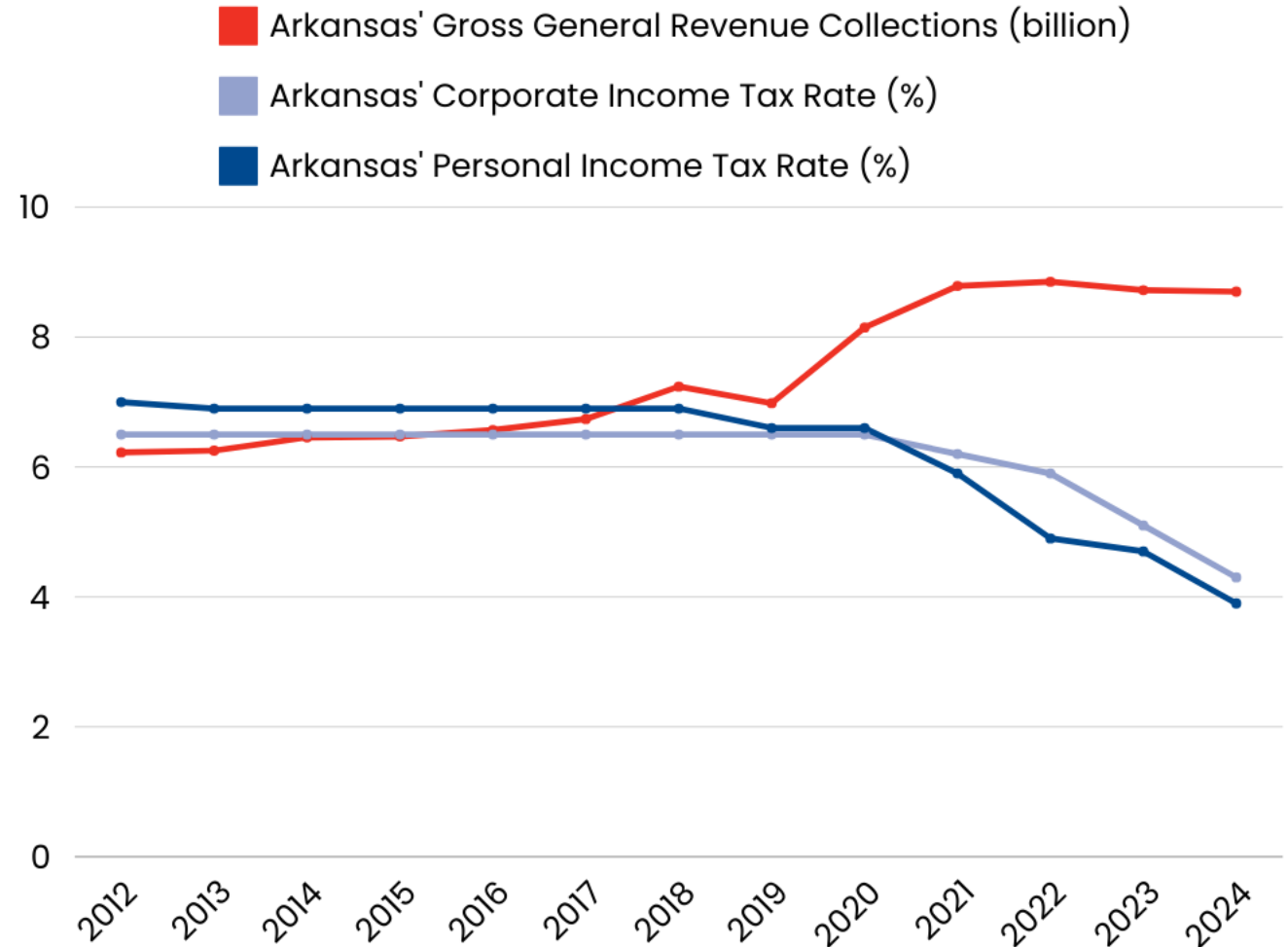
**\$1.78
BILLION +**

TOTAL SAVINGS

Lower taxes. Faster economic growth.

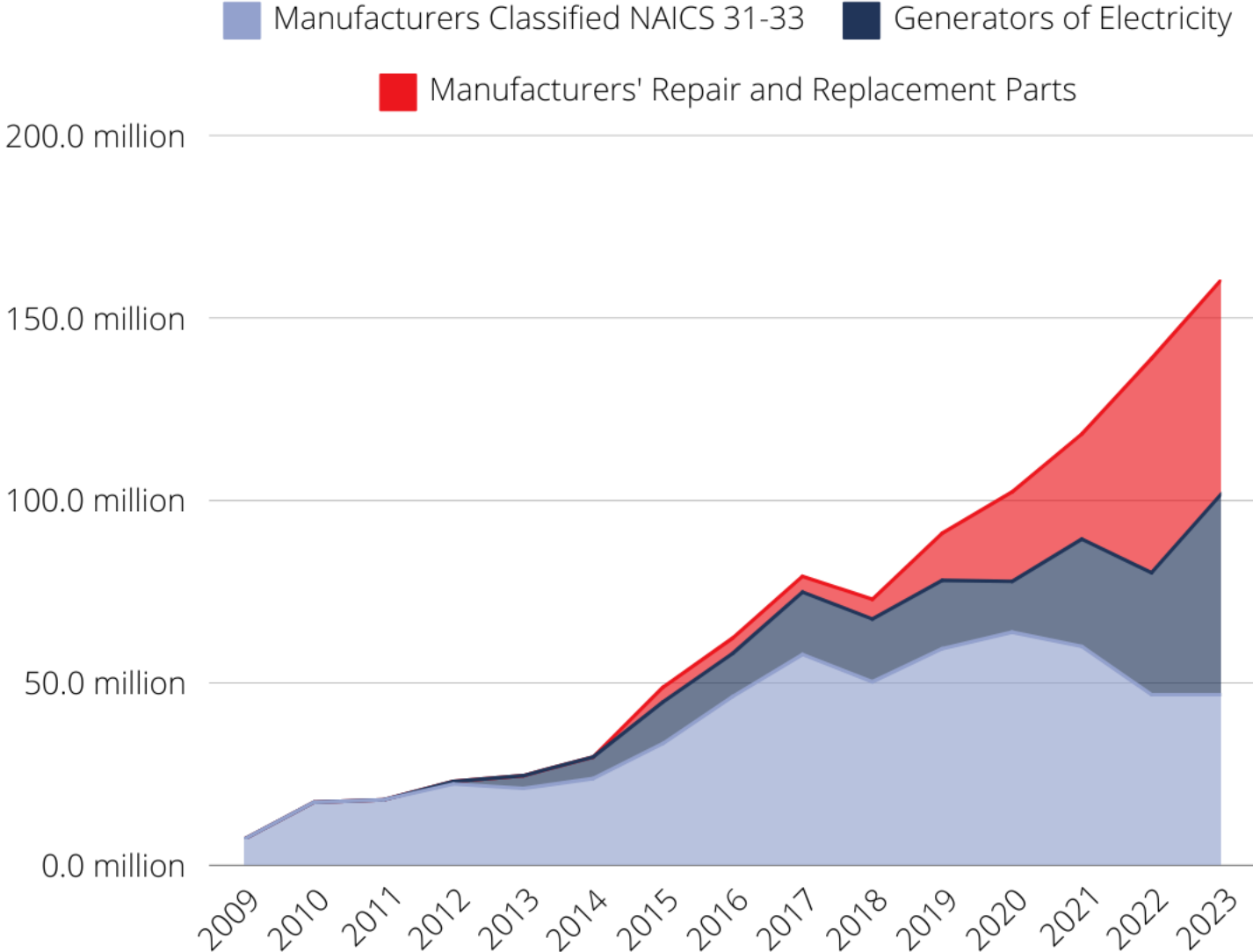
Lower taxes lead to faster economic growth, resulting in higher tax revenue.

As the tax burden in Arkansas has decreased, the state's gross general revenue collections have consistently increased, demonstrating that a pro-business tax policy fosters a more dynamic, prosperous economy.

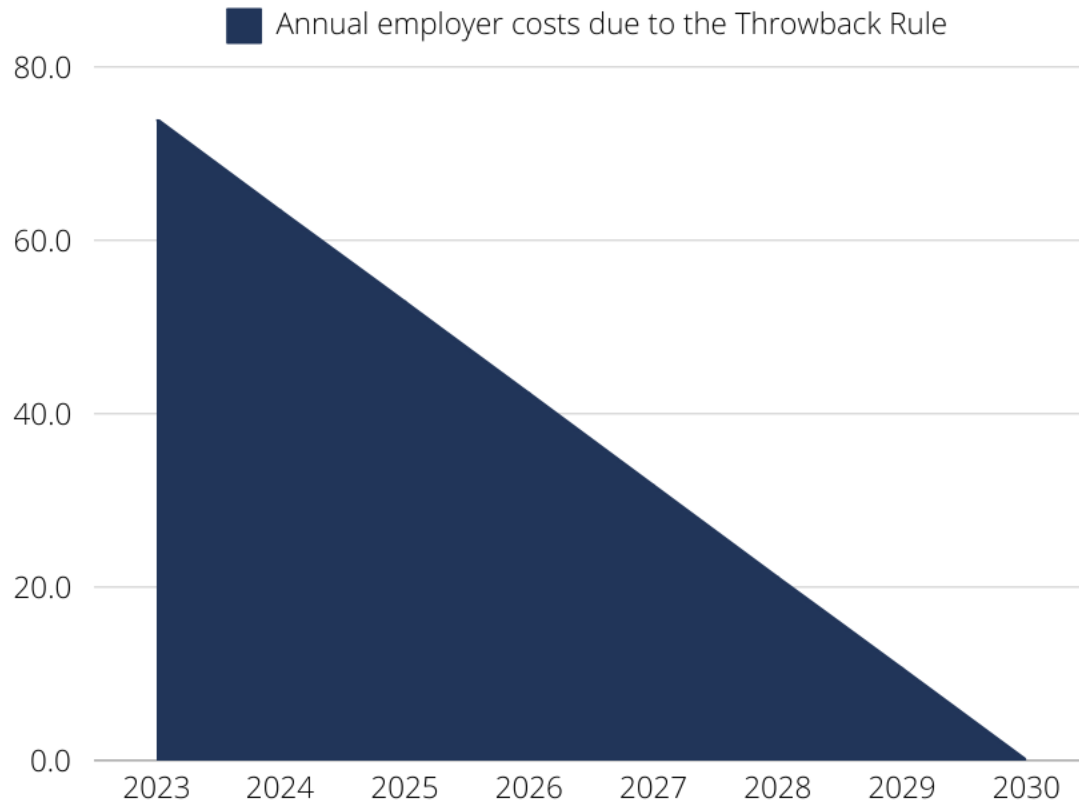


Business Input Taxes

The State Chamber's work to reduce taxes in these three areas alone resulted in nearly **\$170 million** in savings for Arkansas manufacturers in 2023.



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Employers will save \$74m in annual savings once the rule is fully phased out.

The income tax throwback rule was repealed in the 2023 legislative session and will be completely phased out by 2030.



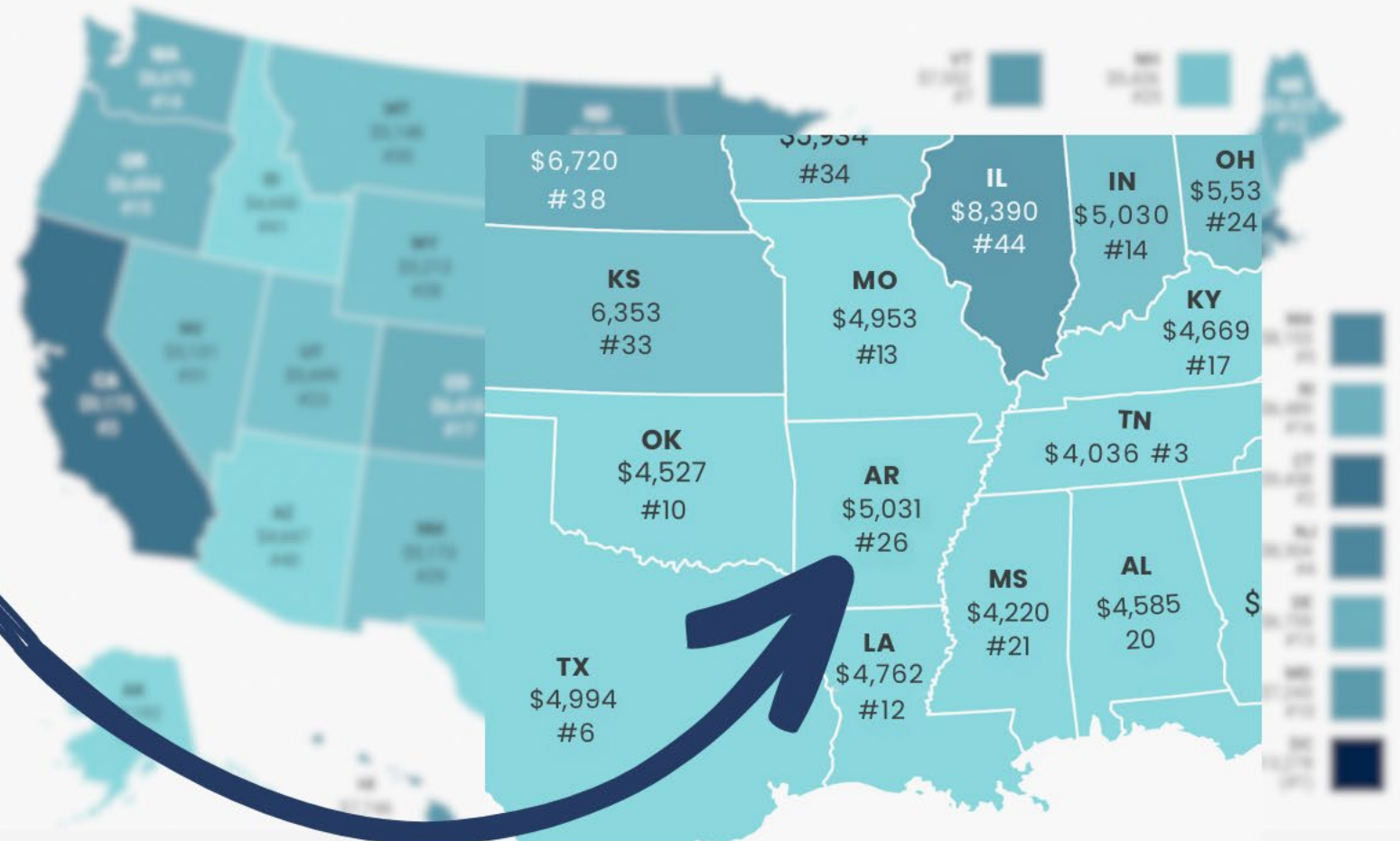
TAX PROCEDURE IMPROVEMENTS

- Independent Tax Appeals Commission—January 1, 2023
- DFA Opinion Transparency
- Burden of Proof
- Sales and income taxes favorable to taxpayers
- Property taxes equalized between taxpayer and government

WHERE DO WE STAND

Arkansas' tax burden relative to the mid-south

Arkansas' overall tax burden higher than that of all of its neighboring states.



Infrastructure and economic development initiatives create a more competitive Arkansas

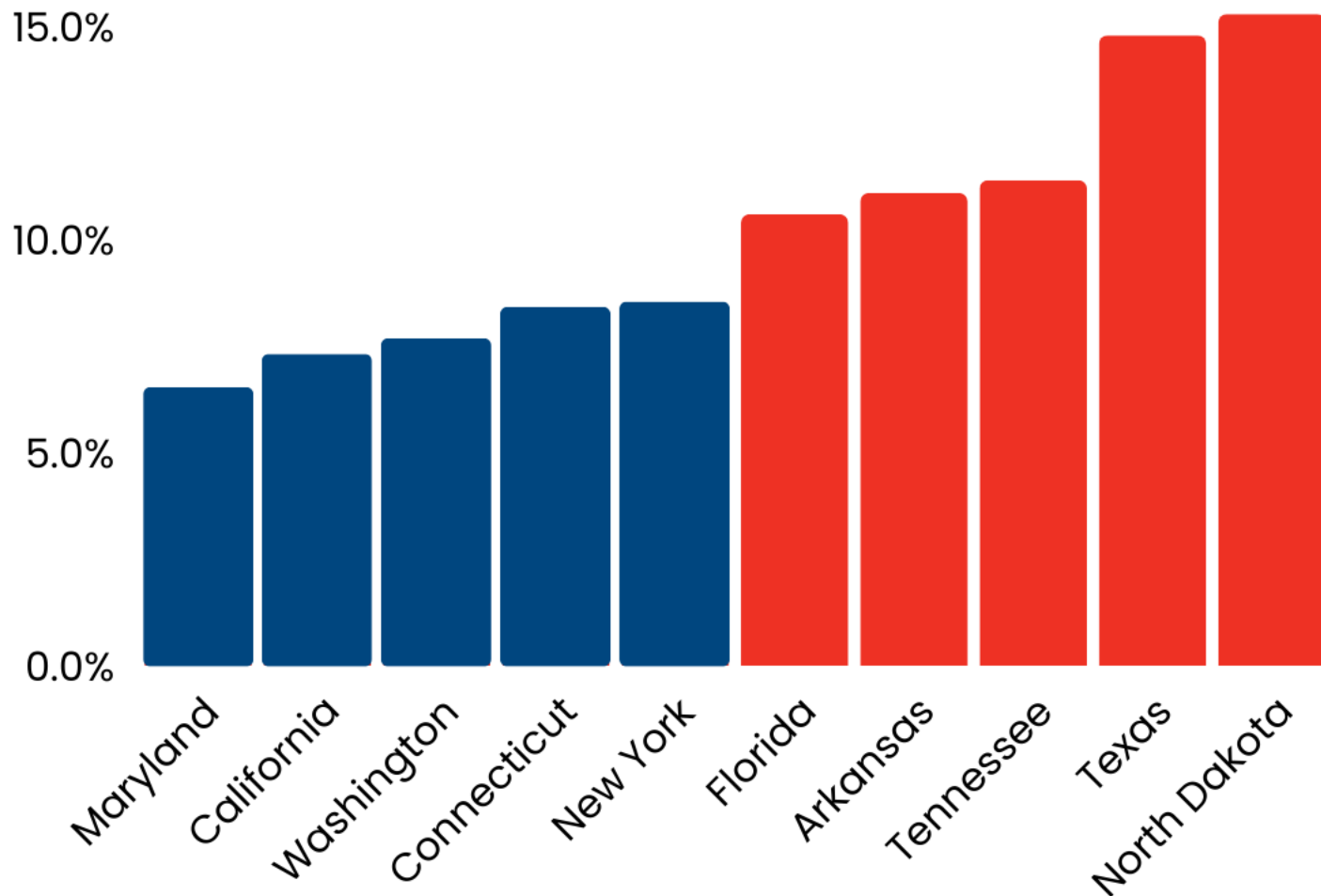
- 1 \$300M annually invested in a long-term highway plan
- 2 \$1.66B coalition improving and broadening the reach of high-speed internet access
- 3 97th Amendment to the state constitution: job creation, expansion, and economic development
- 4 Steel industry in Arkansas has grown 39% over the past 13 years with more growth underway



Who benefits?

Employees and employers

GDP Growth (2021-2022)







According to the ALEC-Laffer State Economic Competitiveness Index, generally **states that spend less**—especially on income transfer programs—**and states that tax less**—particularly on products such as working or investing—**experience higher growth rates than states that tax and spend more.**



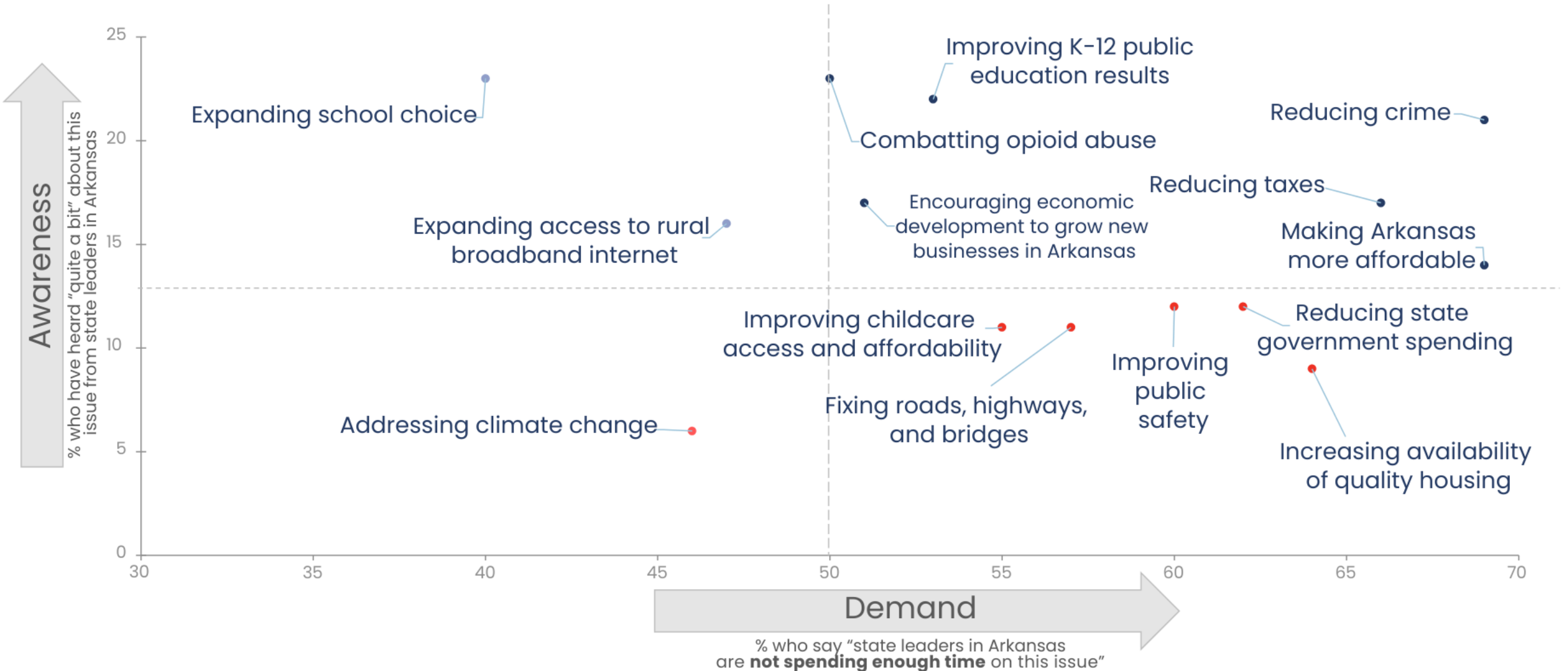
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Reduced business tax rates
ultimately yield:

-  **More available capital for investment**
-  **Higher employee wages**
-  **Economic growth**
-  **More jobs/better jobs**

Issue Importance Analysis: Examining Demand and Awareness

BOLD
DECISION





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