



Arkansas ranks 30th overall for mature operations, but eighth overall for newly established operations. Specifically:

- Arkansas ranks fifth for the newly-established corporate headquarters with a total effective tax rate (TETR) of 8.9 percent. For this type of new operation, the state offers a relatively low income and sales tax burden, helped by a sizeable withholding tax rebate, as well as generous investment and job tax credits.
- For similar reasons, Arkansas ranks among the top states (sixth) for the newly-established call center and for the new R&D operation (sixth). The R&D operation does not receive an investment tax credit, but instead gets a credit for 20 percent of in-state R&D expenses.
- For mature operations, the state achieves a 14th place ranking for distribution centers where the operation's tax burden is 20 percent below the national average. Low property taxes are the contributing factor even though Arkansas is one of the few states to tax inventories and equipment in addition to land and buildings.
- The state ranks 43rd for mature capital-intensive manufacturing (with a TETR of 17.3 percent) and 40th for labor-intensive manufacturing (with a TETR of 14.2 percent). These results are driven mainly by a higher-than-average income tax burden, an antiquated capital stock tax, and a very high combined state and local sales tax rate.

Arkansas

Corporate income tax

Main tax rate	6.500%
Applies to income over	\$100,000
Specific adjustments:	
- s.199 deduction disallowed	

Apportionment	Property	Payroll	Sales
Standard factors	25.0%	25.0%	50.0%
Optional alternative	n/a	n/a	n/a
Throwback applies to tangible property sales			Yes
Interstate services income apportionment			IPA

Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate ^a	Land	Buildings	Equipment	Inventory
Tier 1	Little Rock	7.000%	1.194%	1.194%	1.194%	1.194%
Tier 2	Fort Smith	9.250%	1.110%	1.110%	1.110%	1.110%

a. Manufacturing machinery is exempt from sales tax for new/expanded facilities or replacement equipment

Other taxes

Unemployment insurance		State capital tax		Gross receipts tax			Local income tax
Rate	Max. pay			Mfg.	Services	Retail	
3.80%	\$12,000	0.300%	Tier 1	n/a	n/a	n/a	n/a
			Tier 2	n/a	n/a	n/a	n/a

Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	10% of eligible capital investment	✓	✓	✓	✓	✓		
Job creation	1% of new payroll x 5 years	✓	✓	✓	✓	✓	✓	
Withholdings	3.9% of new payroll x 7 years	✓	✓	✓	✓	✓	✓	
R&D	20% of incremental in-state R&D expenses						✓	
Property tax	65% abatement x 15 years	✓	✓					

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	9.6%	9.1%	11.4%	30.3%	8.9%	6.7%	30.5%		17.3%	14.2%	20.8%	24.6%	14.0%	13.6%	14.8%			
Index	84.5	78.1	45.9	83.8	55.2	45.8	93.6	69.6	136.4	121.9	98.9	80.4	89.0	105.7	87.3	102.8		
Rank	29	14	6	21	5	6	20	8	43	40	26	14	18	30	15	30		

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