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Gov. Hutchinson: Move to eliminate sales tax on groceries 'worthy of continuation'

Noting he did not want to "impede your progress," Gov. Asa Hutchinson on Thursday (May 3) sent a letter to members of the bicameral Arkansas Legislative Tax Reform and Relief Task Force to say he is opposed to raising the sales tax on groceries.

During the 2017 legislative session, Arkansas lawmakers approved Gov. Hutchinson's tax reform package, which cut Arkansas' income tax by \$50 million and created the tax reform task force consisting of 16 legislators from the House and Senate.

Since their first meeting May 22, 2017, the task force has taken on the huge legislative mandate of identifying areas of potential tax reform and recommending further legislation. The panel is expected to provide a final report to Gov. Hutchinson by Sept. 1, which will be used for tax reform in the regular legislative session in January 2019.

The legislative task force **met again April 25** (<https://talkbusiness.net/2018/04/legislative-task-force-begins-review-of-43-sales-tax-exemptions/>) to begin the difficult and long task of studying whether 43 sales tax exemptions in the state's unwieldy tax code are justified or need to be changed or eliminated altogether. On the list was the sales tax on groceries, which was first reduced in 2007 as part of Gov. Mike Beebe's legislative package. The tax on groceries is now at 1.5% and will drop to 0.125% on Jan. 1, 2019.

Gov. Hutchinson said in the letter he has long supported eliminating the sales tax on groceries.

"I have been a long-time and consistent support of eliminating the sales tax on groceries. In fact, the final reduction of the sales tax is part of the budget I presented to the legislature and was adopted by the General Assembly earlier this year. My position has not changed. I do not support raising the sales tax on groceries."

Noting that he understands their work is not complete and they are months away from a final report, Gov. Hutchinson said the plan to eliminate the tax on groceries should continue.

"This exemption eases the financial burden on low-income Arkansans, seniors, and those who are on a limited budget. In my judgment, it is an exemption worthy of continuation," the governor wrote in his letter to members of the task force.

Earlier this year during the fiscal session, Gov. Hutchinson called for a reduction of the state's top income tax bracket from 6.9% to 6%. The proposal did not include an estimated reduction in state revenue, but members of the Joint Budget Committee said it would be roughly \$180 million if done all at once.

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