Let Arkansas Prosper
The Coleman Plan for a Prosperous Arkansas

Arkansas in 2022

Arkansas has the capacities, resources and people to be one of the most prosperous states in the nation. But for too many years, Arkansans have accepted the falsehood that "Arkansas is just a poor state." As a result, the median household income of Arkansans ranks one step from the bottom - 49th in the nation – an unnecessary, unacceptable and unforgiveable fact.

This plan proposes to change that fact. But this is more than a plan, it's a vision.

This is not a vision for a more prosperous *government* of Arkansas. It's a vision for a more prosperous *people* of Arkansas.

This plan is not only a plan for where we'll start or what we'll do first. It's a vision for where we want to go, where we want "end up." With no presumption intended, it answers the question, "What do we want Arkansas to look like at the end of two terms of a Coleman Administration?"

The Coleman Plan for a Prosperous Arkansas proposes these goals for an eight-year Coleman Administration:

1. An unemployment rate of less than 5%.
2. 100,000 new jobs.
3. Family incomes up by 32% with a medium household income ranking of not less than 25th in the nation.
4. A 20% reduction in the average cost of state government per person.
5. A 20% reduction of the number of Arkansans living below the poverty level.

How do we get there?

1. Reduce the Tax Burden on Arkansas Tax Payers
2. Reduce the Tax Burden on Arkansas Job Creators
3. Limit the Growth of Government
4: Lift from the Bottom
5: Get Government, Education, Business and Industry on the Same Track
6. Remove the Roadblocks

1. Reduce the Tax Burden on Arkansas Tax Payers

Proposal: An Eight-Year "Guaranteed" 20% Reduction in State Income Taxes

> "It is a paradoxical truth that tax rates are too high today and tax revenues are too low and the soundest way to raise the revenues in the long run is to cut the rates now." – John F. Kennedy[i1]

It is a commonly accepted fact that when government wants less of something, it taxes it more, illustrated in Arkansas' adoption of an extremely aggressive tax rate on tobacco products.

Arkansas' personal income tax rate is one of the highest in the region, discouraging the creation of personal wealth and financial security for Arkansas taxpayers. In short, Arkansas' high rate of taxation on personal income is a significant inhibitor of prosperity for all Arkansans.

The "Let Arkansas Prosper" Coleman Plan calls for annual reductions in the rate of personal state incomes taxes paid by Arkansans on the following schedule:

<u>2016</u>		
	Over $50,000:	6.82%
	$20,000 - $49,999:	5.85%
	$10,000 - $19.999:	4.38%
	Less than $9,999:	2.43%
<u>2017</u>		
	Over $50,000:	6.65%
	$20,000 - $49,999:	5.68%
	$10,000 - $19.999:	4.21%
	Less than $9,999:	2.20%
<u>2018</u>		
	Over $50,000:	6.48%
	$20,000 - $49,999:	5.51%
	$10,000 - $19.999:	4.04%
	Less than $9,999:	2.03%
<u>2019</u>		
	Over $50,000:	6.31%
	$20,000 - $49,999:	5.34%
	$10,000 - $19.999:	3.87%
	Less than $9,999:	1.86%[2]

1[i] Address at the Economic Club of New York, December 14, 1962

2[ii] At some point the cost of collecting a tax exceeds the amount of tax collected.

<u>2020</u>		
	Over $50,000:	6.14%
	$20,000 - $49,999:	5.17%
	$10,000 - $19.999:	3.70%
	Less than $9,999:	1.69%
<u>2021</u>		
	Over $50,000:	5.87%
	$20,000 - $49,999:	5.00%
	$10,000 - $19.999:	3.53%
	Less than $9,999:	1.52%
<u>2022</u>		
	Over $50,000:	5.70%
	$20,000 - $49,999:	4.83%
	$10,000 - $19.999:	3.36%
	Less than $9,999:	1.35%
<u>2023</u>		
	Over $50,000:	5.53%
	$20,000 - $49,999:	4.66%
	$10,000 - $19.999:	3.19%
	Less than $9,999:	1.18%

The Coleman Plan proposes that these projected reductions be both "guaranteed" and the minimum reductions.

<u>The Guarantee Mechanism</u>

A Coleman Administration will advocate legislation that puts Arkansas state government on this eight-year personal state income tax reduction schedule. If adopted this legislation will require the implementation of these annual reductions to be funded by one or both of two sources:

a. Increased state revenues resulting from a increasingly productive and profitable private sector, and/or
b. Reductions in the annual operating budgets of the state's agencies.

<u>The Minimum Reductions</u>

This plan proposes that these be the minimum reductions in personal state income taxes over an eight-year period. A Coleman Administration will advocate a more aggressive reduction of personal state income taxes if a more vibrant private sector economy producing increased state revenues makes greater reductions possible.

2. Reduce the Tax Burden on Arkansas Job Creators

Proposal: A Pro-Small Business, Pro-Jobs Tax and Regulatory Structure

> "Corporate tax rates must also be cut to increase incentives and the availability of investment capital. …next year's tax bill should reduce personal as well as corporate income taxes, for those in the lower brackets, who are certain to spend their additional take-home pay, and for those in the middle and upper brackets, who can thereby be encouraged to undertake additional efforts and enabled to invest more capital." - John F. Kennedy[3]

"Small businesses provide 55% of all jobs and 66% of all net new jobs since the 1970s. Since 1990, as big business eliminated 4 million jobs, small businesses added 8 million new jobs."[4]

Arkansas' revitalized economy will come from small businesses and the thousands of new jobs they will generate. That's one of the reasons Curtis Coleman's "*Governor's 21st Century Economic Development Plan*"[5] focuses on starting up and building new small businesses in Arkansas.

Arkansas has the opportunity to leverage its natural resources, it's "small town" appeal and its natural beauty to create a "small business magnet" in the state. To accomplish that, we must accelerate those tax *and* regulatory reductions and eliminations that will most quickly produce the best opportunity for small businesses to arrive and thrive in Arkansas.

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3 Ibid.

4 U. S. Small Business Administration

5 http://www.curtiscoleman.com/news/coleman-announces-21st-century-plan-economic-development

Relief for Arkansas' "Mom and Pop" Businesses

The Arkansas 2014 Business Tax Climate ranks 35th in the Tax Foundation's State Business Tax Climate Index.[6]

Arkansas' neighboring states:

Texas	11th[7]
Oklahoma	36th
Missouri	16th
Tennessee	15th
Mississippi	17th
Louisiana	33rd

Arkansas ranks 37th in strictly corporate tax rank.[8]

Arkansas' current corporation tax rates:

First	$3,000 of NTI	1.0%
Next	$3,000 of NTI	2.0%
Next	$5,000 of NTI	3.0%
Next	$14,000 of NTI	5.0%
Next	$75,000 of NTI	6.0%
Over	$100,000 of NTI	6.5%

Recommended:

Less than $1 million of NTI	0.0%
Over $1 million of NTI	6.0%

The intent of this recommended corporation tax rate will be to give small businesses an opportunity to arrive and thrive before being burdened with cost-increasing, anti-competitive, job-destroying corporate taxes.

The schedule for implementation of these corporation tax rates will be determined by the effectiveness of cost-cutting efficiencies to be implemented in state government and increased revenues from the successful growth of the state's private sector, but the Coleman Administration will see this as an early priority required for the successful revitalization of the state's private sector and GDP.

6 http://taxfoundation.org/state-tax-climate/arkansas

7 Texas has no corporation income tax. Tennessee has a flat rate of 6.5%. Oklahoma has a flat rate of 6%.

8 http://taxfoundation.org/article/2013-state-business-tax-climate-index-results

Attract Desperately Needed Seed Capital to Arkansas

It's a fact: "seed capital" is required to start-up and/or expand almost every small business. Arkansas' capital gains tax rate, equal to or higher than that of any state in the region, stands as a roadblock to the seed capital required for Arkansas' entrepreneurs and growing small business owners.

The Coleman Plan advocates a complete elimination of capital gains taxes in Arkansas as the most effective means of increasing the availability of necessary seed capital.

Attract Working Age Military Retirees to Arkansas

The impending defense drawdown will result in more early military retirees transitioning to their second careers creating a new wave of veterans and retirees. But Arkansas has attracted the lowest percentage of working age active duty military retirees in the South Central region, and ranks 48th in the nation in attracting this valuable economic resource.[9] (Mississippi ranks 36th in the nation.)

Arkansas is 9% behind the national average in working age active duty retirees. If Arkansas moves up to only the national average, the result will be approximately 4,300 – 5,000 new working age retirees and more than a $100 million increase in new military retired pay coming into the Arkansas economy.

To be competitive with our surrounding states, Arkansas must exempt 100% of military retired pay and Survivor Benefit Plan payments from state income taxes.

Arkansas is one of only 15 states that does not give at least partial state tax exempt status to retired military pay and Survivor Benefit Plan payments, while the Small Business Administration reports that working age military retirees have a 46% better chance of success in launching a new business than non-military individuals.

3. Limit the Growth of Government

Proposal: Government with "An Interest" in the Success of the Private Sector

Fundamentally, government's "success" is contingent and dependent on the success of its citizens and the productivity and profitability of the private sector in which they work and which they build and drive.

9 DoD Office of the Actuary – FY13 data 3 Feb 14

The cost of government is an overhead for small business. The higher the cost of government, the greater the cost of the product or service produced, the less competitive that small business becomes, the more difficult it is for that small business to hire more people and pay better wages and ultimately the more difficult it is for that small business to thrive or even survive.

No entity on the planet is more egregiously effective at biting the hand that feeds it than government.

To reverse that trend in Arkansas, the Coleman Plan calls for giving state government "an interest" in the growth of the private sector by limiting the annual growth of the cost of state government to a factor less than the growth of the private sector.

The Coleman Plan proposes that no state government budget can increase in any given year more than the growth of the state's GDP in the most recent year for which a confirmed GDP growth rate is available.

Further, The Coleman Plan proposes as a year 2020 goal that the cost of state government per employed person be decreased by not less than 20%. This goal can be attained by

reducing the cost of government,

limiting the growth of government by tying that growth to the growth in the state's GDP and by

increasing the number and percentage of gainfully employed persons in the state.

General revenue funds fiscal year 2012:	$5,924,200,000[10]
Employed persons in Dec. 2012:	1,252,050[11]
Cost of state government per employed person:	$4,731.60
Target cost of state government emp. per person:	$3,785.28

4: Lift from the Bottom

Proposal: Target tax incentives in Arkansas' poorest counties.

In addition to the economic development proposals in "*Governor's 21st Century Economic Development Plan*"[12], The Coleman Plan proposes two strategic goals

10 http://www.dfa.arkansas.gov/offices/budget/Pages/default.aspx

11 http://data.bls.gov/timeseries/LASST05000003?data_tool=XGtable

12 http://www.curtiscoleman.com/news/coleman-announces-21st-century-plan-economic-development

for year 2022 to address Arkansas' high number of Arkansans living below the poverty level and Arkansas' unconscionable ranking of 49th in the nation in median household income:

Improve the Median Household Income by 32%

Median household income, 2007 – 2011:$40,149[13]
Target median household income in 2022: $53,000[14]

Reduce the Number of Arkansans Living Below the Poverty Level by 20%

% Arkansans below poverty level, 2007-2011:	18.4%[15]
Arkansans living below the poverty level:	542,640
Persons below poverty level in USA:	14.3%[16]
Target Arkansans below poverty level in 2022:	14.7%
Arkansans below poverty level in 2022[17]:	433,522

While 433,522 or 14.7% of Arkansans living below the poverty level is still unacceptable, a 20% reduction to this number will be a definite and significant reversal of the trend in Arkansas.

The Coleman Plan specifically targets those regions of the state and those counties where the median household income falls below the current statewide median household income of approximately $40,100.

Tax-Free Enterprise Zones

The Coleman Plan proposes that every county in Arkansas where the median household income falls below the statewide median household income be designated a tax-free enterprise zone.

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13 U. S. Census Bureau

14 Will move Arkansas from 49th to approximately 25th in the nation.

15 http://quickfacts.census.gov/qfd/states/05000.html

16 Ibid.

17 Based on 2012 population

New businesses may startup or move in to these counties from out-of-state and pay no state corporate taxes for their first 10 years[18] as long as the new business does not compete with a similar business in the tax-free enterprise zone region.[19]

“Dream Your Future”: Tax-Credit Communities

The Coleman Plan calls for tax credits to be available to specific businesses in those communities that develop their strategic plan as outlined in “*Governor’s 21st Century Economic Development Plan*”[20], a concept titled, “Dream Your Future.”

If a community develops its strategic plan as outlined in “*Governor’s 21st Century Economic Development Plan*”[21], The Coleman Plan will advocate the development of tax credits for those businesses “targeted” in the community’s plan, with priority given to those communities existing within tax-free enterprise zones as described above.

For example, those tax credits may be available for qualifying businesses as follows:

30% tax credit for supplies, equipment and materials purchased within the community (city or county)

10% tax credit for all salaries paid to residents of the community hired by the qualifying business

It should be noted that these tax credits will be available to qualifying businesses that do not currently exist within the state of Arkansas. Therefore, these credits will “cost” the State of Arkansas nothing, as they will go to qualifying businesses from which the state is currently receiving no tax revenue.

5: Government, Education, Business and Industry on the Same Track

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18 For the first 10 years of their existence, or until the county’s tax free enterprise zone status is revoked following the finding of a decennial census that the county’s median household income has risen above the Arkansas median household income level, whichever occurs last.

19 For the purposes of determining competition with an existing business, a “tax-free enterprise zone region” is considered to include all counties adjoining the county in which the new business will be located.

20 http://www.curtiscoleman.com/news/coleman-announces-21st-century-plan-economic-development

21 http://www.curtiscoleman.com/news/coleman-announces-21st-century-plan-economic-development

For Arkansas to become the prosperous state it can be, government, education, business and industry must be on the same track. Not only must government adopt tax and regulatory reforms that are conducive to good-pay jobs and thriving small businesses, education in Arkansas must be tuned to producing graduates who meet the demands, not just of existing business and industry, but also prospective business and industry.

"Arkansas at the Head of the Class"[22], the Coleman Education Plan, includes an emphasis on restoring technical training for Arkansas students:

> "It's impossible to produce graduates from our educational system who are immediately employed upon graduation if there are no jobs available. Therefore, we must put education, business and government on the same track. That means we must be producing graduates from our educational system who can immediately move into the Arkansas labor force equipped with the skills required for Arkansas' existing or prospective employers. And the State of Arkansas must adopt tax and regulatory policies that facilitate and encourage this symbiotic relationship.
>
> "Arkansas' community colleges are, by design, the most flexible in implementing the curricula required by existing and prospective employers. 'Arkansas at the Head of the Class' envisions a prospective Arkansas employer being told by local community colleges, Tell us what skills and abilities you require of your employees and we will build a curricula to produce those skills and abilities.'
>
> "Some of our failure to attract more and better- paying businesses and industry to Arkansas is because we are not producing an adequate number of skilled craftsmen in our education system. Twenty years ago our state had 23 technical schools to prepare students to successfully enjoy a variety of different vocations. Today we only have three technical schools in the state, and one has to be in prison to attend one of the three."

The Coleman Plan calls for acknowledgement that Arkansas' skilled labor shortage is a *critical* shortage, requiring emergency attention from Arkansas' K-12 and higher education systems. (For more information on the specifics of a proposed solution, please see "Arkansas at the Head of the Class".)

<u>6. Remove the Roadblocks</u>

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22 http://www.curtiscoleman.com/news/coleman-education-plan

The Coleman Plan calls for the appointment of three "blue ribbon" committees to be appointed during the first month of the Coleman Administration to discover statutory, regulatory and future roadblocks to a prosperous Arkansas economy:

1. The Committee to Review Statutory Roadblocks

Governor Coleman will appoint a committee of Arkansas small business owners to (1) review the last ten years of Arkansas statues enacted by the Arkansas Legislature to flag those which have had the unintended consequence of inhibiting the successful growth of Arkansas' economy and (2) to submit recommended changes to those statues to the Governor and Legislature.

2. The Committee to Review Regulatory Roadblocks

Governor Coleman will appoint a committee of Arkansas small business owners and tax payers to (1) review current regulations propagated by Arkansas' regulatory agencies to flag those which are having the consequence of inhibiting the successful growth of Arkansas' economy and (2) to submit recommended changes to those regulations to the Governor and/or Legislature as appropriate.

3. The Committee on Future Concerns

Governor Coleman will appoint a committee of qualified Arkansas tax payers to (1) review future obligations of the State, such as public employee defined pension plans, (2) to determine if Arkansas will have adequate resources to meet future obligations and (2) to submit recommendations regarding necessary adjustments required for the State of Arkansas to meet its future obligations.