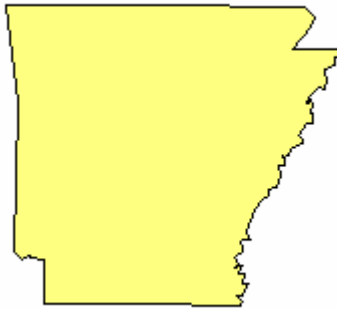


# **State Handbook of Economic, Demographic, and Fiscal Indicators 2006**

## **Arkansas**



**by David Baer**

**PUBLIC POLICY INSTITUTE  
AARP**

# Introduction

The *State Handbook of Economic, Demographic, and Fiscal Indicators 2006* represents the sixth edition of the state handbook series. We produce a new updated handbook biennially. It is an easy-to-use reference book for anyone in search of up-to-date information about state economic, demographic, and fiscal conditions. Policymakers, public officials, and policy analysts will find useful data on such topics as population, poverty rates, per capita state personal income, state and local revenues, expenditures, tax rates, and property tax relief programs. Gender and age comparisons are provided for some of the data. Throughout the book we use the most current data available.

This handbook facilitates state-by-state and state-national comparisons, which can serve a variety of purposes. For example, a state's tax burden can be compared with the national average or with that of other states in the region. Per capita state personal income, unemployment, and median household income can be used to assess how residents in one state fare vis-à-vis those in another.

## *State Economic, Demographic, and Fiscal Summaries*

This part of the book features economic, demographic, and fiscal summaries of the entire United States, each state, and the District of Columbia, along with summaries for the Virgin Islands and Puerto Rico. Most of the book's information is presented in this section. Users will find statistics on several major economic indicators, such as state personal income, median household income, and employment, as well as on population and poverty, distribution of household income, revenues, expenditures, tax rates, and debt ratio measures.

A section on state-specific property tax relief summarizes homestead exemptions and credits, circuit breakers, and tax deferral programs, all of which are defined in the source notes and explanations section at the end of the book. We did not include all of the property tax rates, because they can vary within states, and because data on the varying rates are not easily available. In addition, nominal rates often do not equal effective rates.

Homestead exemptions are reductions in the amount of assessed property value subject to taxation. When reporting homestead exemptions, we note the assessed property value; however, the value of the tax reduction depends not only on the assessed property value but also on the fractional assessment level. For example, the fractional assessment percentage in Alabama is 10 percent for residential property, so the *reported* exemption value of \$4,000 translates into an exemption of \$40,000 in fair market value (\$4,000 divided by 0.1). For this reason, assessed values must first be converted into fair market values before comparing homestead exemptions among states.

The section on state and local general revenues and expenditures shows revenues and expenditures per capita and as a percentage of state personal income, as well as average annual changes from 1992 to 2002. The year 2002 was the most current year that we could obtain revenue and expenditure data from the U.S. Census Bureau. Comparisons can be made between each state and the national average of the amounts spent on expenditure programs. State and local debt information is provided on a per capita basis and per \$1,000 of personal income. The composition of short-term and long-term debt is also presented.

We have made some changes in the contents of the economic, demographic, and fiscal summaries since the 2003 *Handbook*. First, we now provide more current information on poverty rates by age and gender and the percent of households by age and income, thanks to the new American Community Survey (ACS) by the Census Bureau. The ACS features a much larger sample size (about 800,000 households that will increase to 3 million households in 2005) than the Current Population Survey (CPS) (about 100,000 households). State data are available on a more timely basis; instead of having to wait for the decennial census, users can obtain new data yearly.

Since we are now collecting poverty rate data from the ACS instead of the CPS, we no longer report the poverty rate in the economic indicators table (the first table in the state summaries). This is because we cannot make a 10-year comparison of state poverty rates until ACS has 10 years of poverty data.

Second, we added health and long-term care state income tax exemptions and credits. We describe only those state tax exemptions and credits that are more generous than what are available on the federal return. Therefore, we exclude tax exemptions, e.g., medical savings account deductions, which are found in federal adjusted gross income. Further, we exclude state itemized deductions, since we only want to describe tax exemptions and credits that benefit all taxpayers, not just those who itemize. Therefore, all the state health and long-term care tax provisions described here are available to all state filers, whether they itemize or not. Finally, since we are only interested in the general population, we exclude state health and long-term care tax breaks that are targeted specifically for self-employed persons.

Third, we described how the state tax income base is related to the federal income tax base, such as federal adjusted gross income. The state income tax base may be unrelated to the federal base; it may link to federal adjusted gross income (AGI), federal taxable income, or to federal gross income. If state taxable income is unrelated to federal income, we say that the state's income tax base is not directly related to federal income.

Fourth, we highlighted the minimum income levels at which taxpayers must file their state income taxes. Fifth, because some states have local expenditure limits which may affect the amount of property taxes collected, we describe how localities limit the growth of their expenditures.

### *Tables and U.S. Maps*

The handbook provides tables and maps of selected state economic, demographic, and fiscal data (found primarily in the economic, demographic, and fiscal summaries part). This presentation of the data makes it easy to compare any or all states and the District of Columbia on such economic indicators as per capita income or gross state product. The tables provide state rankings for easy comparisons. We do not include Puerto Rico and the Virgin Islands because the data are either unavailable or not as current as state data, in the tables.

### *Data Sources and Explanations*

Data sources and explanations of concepts or terms can be found in this part of the handbook. Most of the information in the handbook comes from the U.S. Bureau of the Census, including poverty rate by age group and household income by age group from the American Community Survey, median household income from the Current Population Survey, population estimates by age group based on decennial census data, and revenues and expenditures from the Census of Governments.

We collected economic data, such as per capita income and gross state product, from the U.S. Bureau of Economic Analysis and employment data from the U.S. Bureau of Labor Statistics. In addition, we obtained tax rate and property tax relief information from a survey of state and local government offices, such as state legislative offices and state and local assessors' offices.

For Puerto Rico and the Virgin Islands, we collected household income, poverty rate, and population data from U.S. decennial census data. Employment data came from the U.S. Bureau of Labor Statistics (Puerto Rico) and the Virgin Island's Bureau of Economic Research. Per capita income came from Puerto Rico's Department of the Treasury and the U.S. Census Bureau (Virgin Islands). Tax rates, general revenue, and general expenditure data came from Puerto Rico's Department of the Treasury, the Virgin Islands Office of Management and Budget (revenues), the U.S. Internal Revenue Service (income tax data), and the Virgin Islands Bureau of Internal Revenue (miscellaneous tax data).

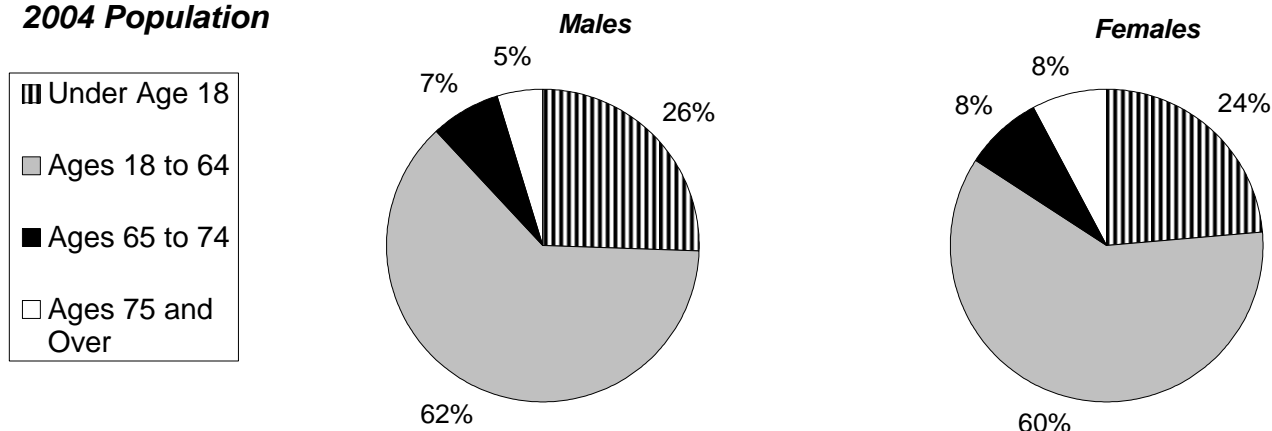
As state and local economic conditions and demographic patterns change, policymakers may consider adjusting their policies on taxes and spending programs. These adjustments become more difficult when economic and demographic changes depart from historical trends. It is our belief that this publication will contribute to more informed public policy decisions by identifying significant economic, demographic, and fiscal changes.

# Arkansas

<b>Economic Indicators</b>	1994		2004		Average Annual Change 1994-2004	
	AR	US	AR	US	AR	US
	Per Capita Income.....	\$17,350	\$22,172	\$25,724	\$33,041	4.0%
Median Household Income .....	\$25,565	\$32,264	\$34,963	\$44,389	3.2%	3.2%
Gross State Product (in millions).....	\$50,179	\$6,865,513	\$80,902	\$11,665,595	4.9%	5.4%
Full- and Part-Time Positions (in thousands).....	1,337	145,224	1,524	170,104	1.3%	1.6%
Employed Persons (in thousands) .....	1,148	123,060	1,232	139,251	0.7%	1.2%
Unemployment Rate.....	5.3%	6.1%	5.7%	5.5%	n/a	n/a

Sources: U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, and the U.S. Bureau of Labor Statistics

## 2004 Population



<b>Population and Poverty</b>	Population				Poverty Rate	
	1994	2004	Percentage Change 1994-2004		2004	
	AR	AR	AR	US	AR	US
Total Population.....	2,450,605	2,752,629	12.3%	12.8%	17.9%	13.1%
Males.....	1,182,048	1,348,719	14.1%	13.8%	15.7%	11.6%
Under Age 18.....	330,617	346,241	4.7%	7.8%	26.1%	18.3%
Ages 18 to 64.....	703,967	842,598	19.7%	16.7%	12.7%	9.6%
Ages 65 to 74.....	87,812	94,379	7.5%	1.6%	8.0%	6.5%
Ages 75 and Over.....	59,652	65,501	9.8%	28.8%	9.4%	6.8%
Females.....	1,268,557	1,403,910	10.7%	11.9%	20.1%	14.5%
Under Age 18.....	312,434	330,309	5.7%	8.1%	25.6%	18.6%
Ages 18 to 64.....	743,973	852,375	14.6%	14.6%	19.0%	13.6%
Ages 65 to 74.....	109,033	110,846	1.7%	-3.6%	12.8%	9.7%
Ages 75 and Over.....	103,117	110,380	7.0%	19.6%	19.4%	13.3%

Source: U.S. Bureau of the Census

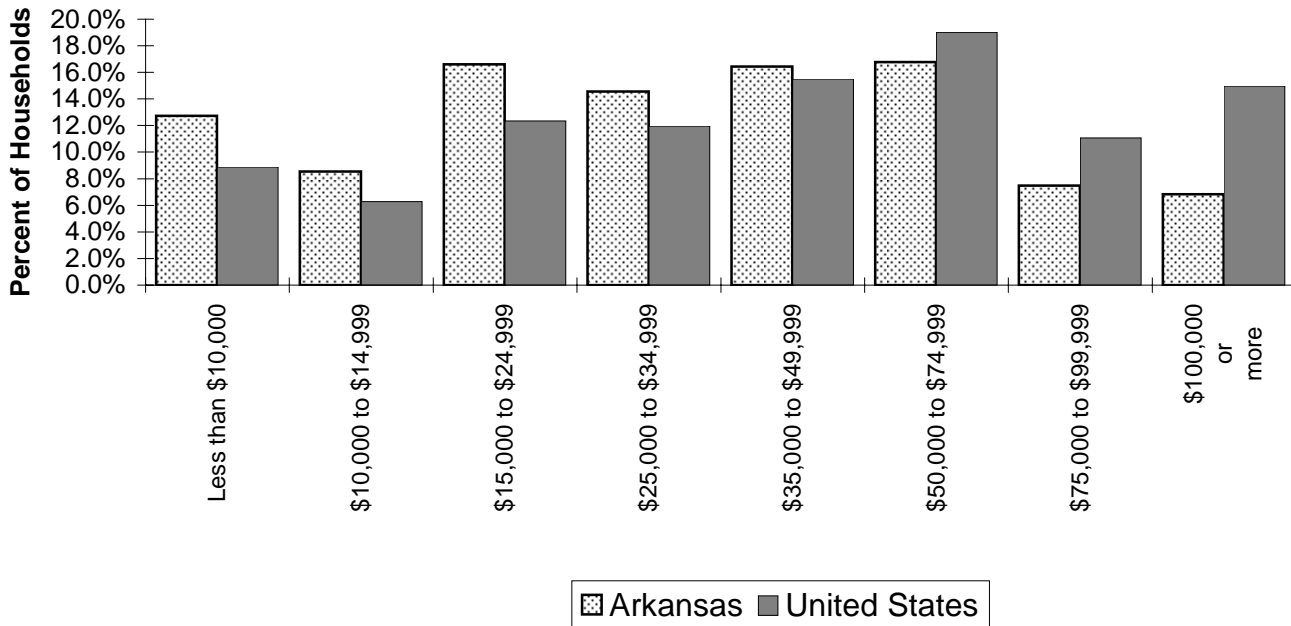
# Arkansas

**Percent Distribution of Households by Age of Householder and Income, 2004**

Age of Householder	Less than \$10,000	\$10,000 to \$14,999	\$15,000 to \$24,999	\$25,000 to \$34,999	\$35,000 to \$49,999	\$50,000 to \$74,999	\$75,000 to \$99,999	\$100,000 or more	All Households
Under 25 years.....	28.6%	7.3%	19.7%	17.7%	16.9%	9.5%	0.3%	0.0%	100.0%
25 to 44 years.....	9.6%	6.3%	15.9%	14.8%	16.6%	20.9%	9.2%	6.8%	100.0%
45 to 64 years.....	11.4%	6.7%	12.8%	13.1%	17.3%	18.1%	9.6%	10.9%	100.0%
65 years and over.....	14.7%	15.4%	22.9%	15.5%	14.7%	10.4%	3.8%	2.6%	100.0%
Arkansas (all ages).....	12.7%	8.5%	16.6%	14.6%	16.4%	16.8%	7.5%	6.8%	100.0%
United States (all ages).	8.9%	6.3%	12.3%	12.0%	15.5%	19.0%	11.1%	15.0%	100.0%

Source: U.S. Bureau of the Census

**Percent of Households by Household Income Bracket, 2004**



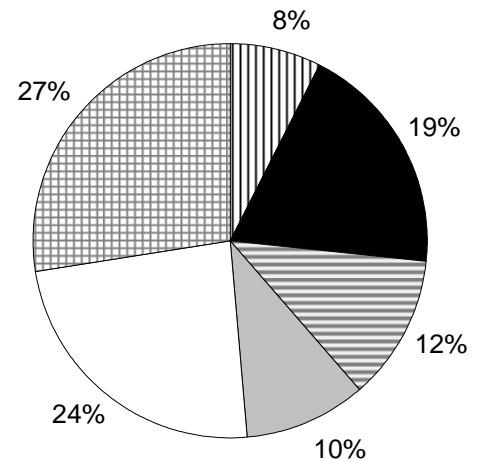
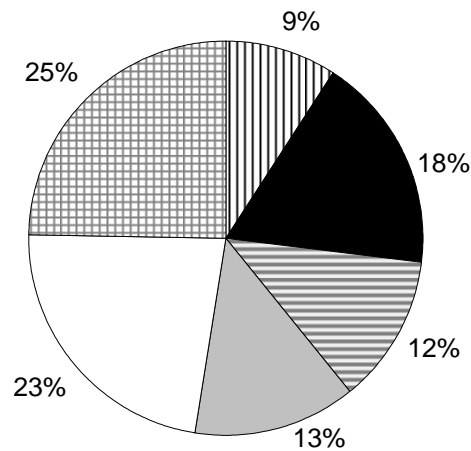
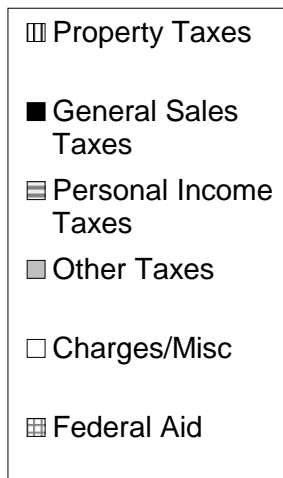
# Arkansas

<b>State and Local General Revenues, FY 2002</b>	General Revenues (millions)	Per Capita		Percent of Personal Income		Average Annual Revenue Change 1992-2002	
		AR	US	AR	US	AR	US
		Total General Revenues.....	\$13,260	\$4,897	\$5,851	21.4%	19.3%
Own Sources.....	\$9,614	\$3,551	\$4,599	15.5%	15.2%	6.3%	5.2%
Taxes.....	\$6,461	\$2,386	\$3,143	10.4%	10.4%	5.9%	4.9%
Property Taxes.....	\$1,004	\$371	\$969	1.6%	3.2%	4.8%	4.5%
General Sales Taxes.....	\$2,541	\$938	\$774	4.1%	2.6%	7.5%	5.4%
Personal Income Taxes.....	\$1,566	\$578	\$705	2.5%	2.3%	6.3%	5.8%
Other Taxes.....	\$1,350	\$499	\$695	2.2%	2.3%	3.7%	4.3%
Charges/Miscellaneous.....	\$3,153	\$1,165	\$1,456	5.1%	4.8%	7.1%	5.7%
Federal Aid.....	\$3,645	\$1,346	\$1,252	5.9%	4.1%	7.8%	7.2%

Source: U.S. Bureau of the Census (2002 data are the most current available.)

**1992 General Revenue**

**2002 General Revenue**



# Arkansas

## I. Personal Income Tax (2004)

### State Income Tax Base

Arkansas' income tax base is not directly linked to the federal income tax base.

### Filing Requirements

Taxpayers must file if their gross income equals or exceeds the following:

Filing Status	Gross Income
Single and under age 65	\$7,800
Single and age 65 or older	\$9,300
Married, filing jointly and both spouses under age 65	\$15,500
Married, filing jointly and both spouses age 65 or older	\$16,200

### Rate Structure

#### All Taxpayers

<u>Taxable Income</u>	<u>Rate</u>	<u>Taxable Income</u>	<u>Rate</u>
First \$3,399	1.0%	\$10,300 - \$17,099	4.5%
\$3,400 - \$6,799	2.5%	\$17,100 - \$28,499	6.0%
\$6,800 - \$10,299	3.5%	Over \$28,499	7.0%

**Public and Private Pension Exemptions** ..... \$6,000\*

\*The \$6,000 exemption can include IRA distributions if a taxpayer is age 59½ or older.

**Social Security Benefits** ..... Full exemption

### Standard Deductions

All ages ..... \$2,000 (single); \$4,000 (married, filing jointly)

**Personal Tax Credits** ..... \$20 per person (under age 65)  
 \$40 per person (age 65 or older)  
 \$60 per person (age 65 or older)\*

\*The \$20 extra personal tax credit for taxpayers age 65 or older applies only if they did not claim the \$6,000 retirement income exemption (which includes the deduction of pension income).

Sources: AARP 2005 telephone survey of state legislative staff, state departments of revenue, state controllers' offices, state assessors' offices, and state treasury offices.

# Arkansas

**Medically Necessary Food Credit** ..... Up to \$2,400 per person for a child with phenylketonuria and other metabolic disorders.

**Local Income Taxes** ..... Localities are allowed to levy a net income tax in first-class cities.

## II. General Sales Tax Rates (2004)

State ..... 6%\*  
Combined state/local tax rates ..... 6.5% to 11.5%

\*The state imposes a statewide tax of 7% in the city of Texarkana.

## III. Miscellaneous Tax Rates (2004)

Corporate income (highest marginal rate)..... 6.5% On income over \$100,000  
Gasoline (per gallon) ..... \$0.215  
Cigarette (per pack of 20) ..... \$0.59  
Beer (per gallon) ..... \$0.242

## IV. Real Property Tax Relief Programs (2005)

### Homestead Exemption or Credit

Requirements	Benefits
All homeowners .....	\$300 credit
<b>Circuit Breaker</b> .....	None
<b>Deferral Program</b> .....	None

Sources: AARP 2005 telephone survey of state legislative staff, state departments of revenue, state controllers' offices, state assessors' offices, and state treasury offices.

# Arkansas

## V. Real Property Tax Limits, Caps, or Freezes (2005)

### Real Property Tax Rate Limits\*

Cities .....	\$5 per \$1,000 of taxable value
Counties.....	\$5 per \$1,000 of taxable value
Libraries .....	\$5 per \$1,000 of taxable value
Police pensions .....	\$1 per \$1,000 of taxable value
Fire pensions .....	\$1 per \$1,000 of taxable value
County road tax .....	\$3 per \$1,000 of taxable value

Assessed property values may not increase by more than 5% per year for homeowners under age 65. Unless there are substantial improvements to the property, assessed property values may not increase for homeowners age 65 and older or disabled. However, assessed property values can decrease for all homeowners if property values decrease.

\*School property tax rates have no limits but must be approved by the voters.

Local taxing district property tax revenue is limited to a 10% annual increase because of higher reassessments in property value.

Sources: AARP 2005 telephone survey of state legislative staff, state departments of revenue, state controllers' offices, state assessors' offices, and state treasury offices.

# Arkansas

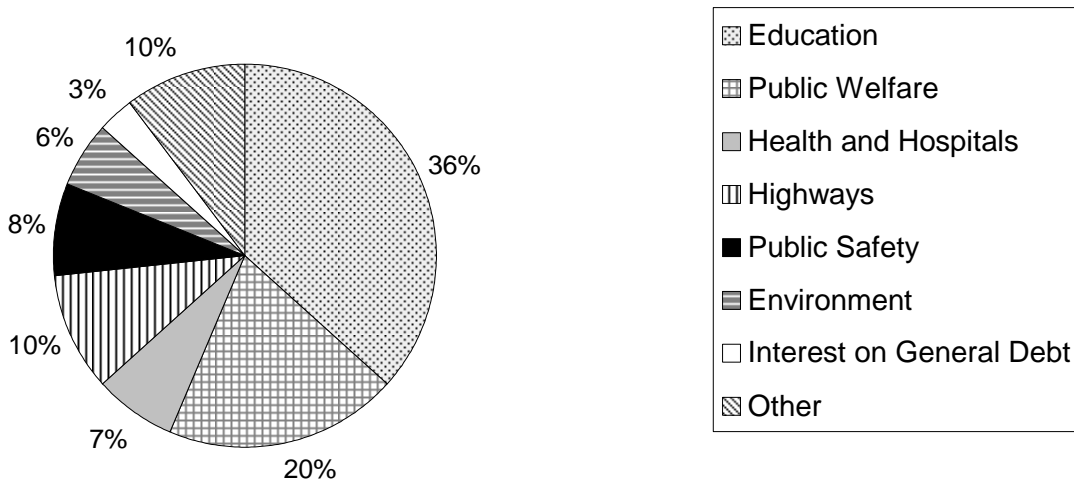
<b>State and Local General Expenditures, FY 2002</b>	General Expenditures (millions)	Per Capita		Percent of Personal Income		Average Annual Expenditure Change 1992-2002	
		AR	US	AR	US	AR	US
		State/Local Direct General Expenditures	\$13,068	\$4,827	\$6,026	21.1%	19.9%
To State/Local Government	\$13,068	\$4,827	\$6,011	21.1%	19.9%	7.0%	5.9%
Education*	\$4,783	\$1,767	\$2,065	7.7%	6.8%	6.2%	6.2%
Public Welfare	\$2,593	\$958	\$971	4.2%	3.2%	8.2%	6.1%
Health and Hospitals	\$915	\$338	\$508	1.5%	1.7%	5.2%	5.2%
Highways	\$1,307	\$483	\$401	2.1%	1.3%	7.5%	5.5%
Public Safety*	\$993	\$367	\$545	1.6%	1.8%	9.3%	6.3%
Environment	\$726	\$268	\$356	1.2%	1.2%	8.1%	5.1%
Interest on General Debt	\$416	\$154	\$262	0.7%	0.9%	2.9%	3.1%
Other	\$1,335	\$493	\$904	2.2%	3.0%	8.7%	6.5%
To Federal Government	\$0	\$0	\$15	0.0%	0.1%	-31.8%	1.9%

\*Education includes higher and lower education; public safety includes police, fire, corrections, and protection and inspection.

Source: U.S. Bureau of the Census (2002 data are the most current available.)

## State and Local General Expenditures, FY 2002

(excluding payments to federal government)



<b>2002 Debt Ratio Measures</b>	Total Debt Outstanding			Long-term Debt		Short-term Debt	
	Debt (billions)	Per Capita	Per \$1,000 of Personal Income	Debt (billions)	Percent of Total	Debt (billions)	Percent of Total
Arkansas (State and Local)	\$8.8	\$3,233	\$141.27	\$8.7	99.6%	\$0.03	0.4%
United States	\$1,681.4	\$5,839	\$192.88	\$1,638.1	97.4%	\$43.24	2.6%

Source: U.S. Bureau of the Census