Tax Structure Summary

Source: https://www.arkansasedc.com/why-arkansas/business-climate/tax-structure

as of June 2026

State of Arkansas Tax Structure Summary

Arkansas Freeport Law

Arkansas' Freeport Law applies to finished inventories maintained by manufacturers within the state and to goods stored in warehouses in transit to destinations outside the state.

Also covered in this tax exemption are goods that are moving through the state and may be stored in a warehouse, dock, etc., which are in transit to a destination outside of Arkansas.

Act 269 of 1969 states: "Tangible personal property in transit for a destination within this State shall be assessed only in the taxing district of its destination. Tangible personal property in transit through this State and tangible personal property manufactured, processed or refined in this State and stored for shipment outside the State shall, for purposes of ad valorem taxation, acquire no situs in the State and shall not be assessed for taxation in this State."

A unique feature of Act 269 of 1969 is that goods that are manufactured in this state and then stored in a warehouse prior to distribution to points outside the state are not assessed for taxation in Arkansas.

Capital Gains Tax

The state of Arkansas allows for 50 percent of net capital gains to be exempt from state income tax. In addition, the amount of net capital gain in excess of $10 million in a given tax year is exempt from the state income tax.

Corporate Franchise Tax

The chart below lists the franchise tax rates for various entities under Arkansas Code 26-54-104.

Franchise Tax Type	Current Rate
Corporation/Bank with Stock	0.3% of the outstanding capital stock; $150 minimum
Corporation/Bank without Stock	$300
Limited Liability Company	$150
Insurance Corporation Legal Reserve Mutual, Assets Less Than $100 million	$300
Insurance Corporation Legal Reserve Mutual, Assets Greater Than $100 million	$400

Franchise Tax Type	Current Rate
Insurance Company Outstanding Capital Stock Less Than $500,000	$300
Insurance Company Outstanding Capital Stock Greater Than $500,000	$400
Mortgage Loan Corporation	0.3% of the outstanding capital stock; $300 minimum
Mutual Assessment Insurance Corporation	$300

Corporate Income Tax

Arkansas corporate income tax is a graduated rate applied to the Arkansas Net Taxable Income (NTI) for tax year beginning January 1, 2027, as follows:

Taxable Income	Tax Rate
$0-$3,000	1%
$3,001-$6,000	2%
$6,001-$11,000	3%
$11,001+	4.1%

Act 1 of the Third Extraordinary Session of the 93rd General Assembly amended the Arkansas Code at §26-51-428(a) to adopt the U.S. federal tax code at Title 26 U.S.C. §179 for calculating Arkansas income tax liability for depreciation of property. This is effective for property purchased in tax years beginning on or after January 1, 2022.

If a business activity is derived from activity inside and outside the state of Arkansas, it is apportioned for taxation according to the percentage of sales attributable to Arkansas pursuant to the multi-state compact.

Tax Year	Arkansas Sales	Elsewhere Sales
2024	85.71%	14.29%
2025	71.42%	28.58%
2026	57.13%	42.87%
2027	42.84%	57.16%
2028	28.55%	71.45%
2029	14.26%	85.74%
2030	0%	100%

Beginning with the 2021 tax year, a corporation doing business in Arkansas and sustaining a net operating loss may carry forward the loss to the next succeeding taxable year and annually thereafter for a total period of ten years succeeding the year of such loss and deduct it from Arkansas taxable income.

Qualified biofuels manufacturers investing at least $20 million and creating at least 100 new jobs may receive income tax exemptions for up to 20 years. Qualified windmill blade or component manufacturers classified under NAICS Code 333611 may receive income tax exemptions for up to 25 years based upon the investment, job created, tier status and employee wages.

Personal Income Tax

Resident and non-resident individuals, estates and trusts deriving income from within the state are subject to a tax on their net income at the following rates:

Personal Income Tax Rates for Tax Year Beginning January 1, 2027

Income Tax Rate for Individuals with Net Income of Less Than or Equal to $94,700	
$0 - $5,599	0.0%
$5,600 - $11,199	2.0%
$11,200 - $15,999	3.0%
$16,000 - $26,399	3.4%
$26,400 - $94,700	3.7%

Income Tax Rate for Individuals with a Net Income Greater Than $94,700	
$0 - $4,700	2.0%
$4,701 +	3.7%

Property Tax

The State of Arkansas does not have a property tax. However, Arkansas cities and counties do collect property tax, which is the principle local source of revenue for funding public schools. The tax is calculated based on 20% of the market value of real and personal property and the average annual value of merchants' stocks and/or manufacturers' inventories based on millage rates in individual school districts. Business firms and individuals are subject to annual property tax on all real and personal property.

Payment in Lieu of Property Taxes (PILOT)

Real and personal property financed by revenue bonds and general obligation bonds may be exempt from property taxes during the lease-amortization period in which a local government retains title to a property. Payments by businesses to local governments in lieu of property taxes are generally encouraged and negotiated between the locality and the company.

The negotiated PILOT shall not be less than 35% of the property taxes that would have been paid if the property were on the tax rolls, unless a lesser amount is approved by the Executive Director of the Arkansas Economic Development Commission and the Chief Fiscal Officer of the State of Arkansas.

Sales and Use Tax

The Arkansas sales tax is 6.5% of the gross receipts from the sales of tangible personal property and certain selected services. “Sale” includes the lease or rental of tangible personal property.

Taxable services include sales of gas, water, electricity, most solid waste disposal, telephone and prepaid telecommunications and repair services. Repair and replacement parts for manufacturing machinery are generally taxable. However, one percentage point of sales and use taxes may be refunded for purchases of machinery and equipment or replacement parts purchased to modify, replace, or repair manufacturing machinery and equipment. Additional discretionary refunds are available through AEDC's Replacement and Repair of Manufacturing Machinery and Equipment Sales and Use Tax Refund Program.

The Arkansas compensating use tax of 6.5% is levied on tangible personal property purchased from outside the state of Arkansas for use, storage or consumption within the state of Arkansas.

Exemptions from Sales and Use Taxes

- Any interstate or international private communications service and any interstate or international 800 or 900 service
- Property that becomes a recognizable, integral part of property manufactured, compounded, processed or assembled for resale
- Machinery and equipment used directly in manufacturing that was purchased for a new manufacturing facility or to replace existing machinery and equipment
- Machinery and equipment required by Arkansas law to be purchased for air or water pollution control or for removal of sulfur pollutants from refined petroleum
- Catalysts, chemicals, reagents and solutions that are consumed or used in producing, manufacturing, fabricating, processing or finishing articles of commerce at manufacturing or processing plants or facilities; and/or to prevent or reduce air, water and other contamination
- Sewer services
- Electricity, liquified petroleum gas and natural gas used (and separately metered) for qualifying agricultural structures and qualifying aquaculture and horticulture equipment and for commercial grain drying and storage
- Gas produced from biomass in a facility meeting federal eligibility requirements and sold to an entity for the purpose of generating steam, hot air or electricity to be sold to the gas producer

- Energy (electricity, natural gas, and coal) sold to manufacturers for use directly in the manufacturing process
- Dental appliances sold by or to dentists or other professionals
- Electricity used in the production of aluminum metal by the electrolytic reduction process
- Electricity used in the chlor-alkali manufacturing process
- Feedstuffs and medicines used in livestock production, including poultry for commercial production in Arkansas
- Agricultural chemicals, fertilizer and limestone used in the commercial production of agricultural products
- Timber harvesting equipment
- New or used farm equipment or machinery
- Natural gas used as fuel in the process of manufacturing glass
- Forms which are consumed or destroyed during the manufacture of the item for which the form was built
- Repair or maintenance services performed on railroad cars, parts or equipment brought into the state only to be repaired, refurbished, modified or converted
- New aircraft manufactured or substantially completed in Arkansas for use exclusively by the purchaser outside of Arkansas
- Natural gas and electricity used in the manufacture of new motor vehicle tires
- Products used for baling, packaging, tying, wrapping or sealing animal feed products
- Certain parts and services to incorporate the parts or other tangible personal property into commercial jet aircraft components and subcomponents

Local Sales and Use Taxes

In addition to the state sales and use tax, local sales use taxes may be levied by each city or county. However, businesses may apply to the Arkansas Department of Finance and Administration for a refund of local taxes. “Single transaction” means any sale of tangible personal property or taxable service reflected in a single invoice, receipt or statement for which an aggregate sales or use tax amount has been reported or remitted to the state for a single, local taxing jurisdiction. These taxes are collected by the state and distributed to the cities and counties each month

More Information

For more information about Arkansas' sales and use tax, contact the Arkansas Department of Finance and Administration's Sales and Use Tax Office at (501) 682-7104 or visit DFA's website.

Unemployment Insurance Tax

New Businesses

Taxable wage base = $7,000
Rate = 3.1%
A business with no previous employment record in Arkansas is taxed at 3.1% on the first $7,000 of each employee’s earnings until an employment record is established, usually within three years.

Existing Arkansas Businesses

Rate = 0.1% - 14.0%

Each business's employment record is determined primarily by its taxable payroll and history of employee voluntary termination. The tax is determined by past experience and the amount of the reserve ratio. The reserve ratio is the excess of contributions paid over benefits charged as related to payroll. The higher the reserve-ratio, the lower the tax rate.

2020 Unemployment Insurance Tax Information

2020 State UI Tax Rates

Equity Investment Tax Credit (EITC) Program FAQ

What is the process for getting approved under the EITC Program?

The applicant first fills out an application and returns it to AEDC. AEDC reviews the application for compliance with program requirements. AEDC and the Arkansas Department of Finance Authority (ADFA) arrange an in-person, "investor pitch" type of meeting to allow the applicant, AEDC, and ADFA the ability to have an interactive dialogue about the project. At that point, AEDC and ADFA decide if the company and its project should be offered this incentive. This is a discretionary incentive, so approval is based on more than meeting minimum requirements.

Who receives the credit when it is issued?

The credits are issued to investors in the company and are designed to help the company attract the investment under terms and conditions not available without the incentive provided by the credit.

Is the credit transferable, and how many times can the credit be sold/transferred?

The credit can be sold only once and must be sold within one year of its issuance. Otherwise, it can only be used to offset State of Arkansas income tax liability.

How many times can I apply for approval under this incentive program?

There is no restriction on how many times a potential applicant may apply, but AEDC will review a "re-applicant's" performance level against the projections it previously provided when it first received approval.