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POLICY SPOTLIGHT

Securing Arkansas's Migration-Driven Growth

Tax, housing, and labor reforms to sustain prosperity

JACK SALMON | JULY 2026

Americans made nearly 34 million interstate moves between 2018 and 2023, redistributing population, income, and economic activity among states. Arkansas ranked 16th in net interstate migration, gaining over 53,000 residents and $1.7 billion in income.[1] Research shows that tax burden, economic freedom, and housing supply constraints are key drivers of migration. Arkansas's recent tax cuts have strengthened its competitive position, but structural tax code complexities, a below-peer housing permitting rate, and one of the nation's heaviest occupational licensing burdens continue to weigh on the state's long-run attractiveness.

Tax Policy Reforms

The competitive landscape

Arkansas ranks 34th on the Tax Foundation's State Tax Competitiveness Index. Since 2022, the top individual income tax rate has fallen from 4.9% to 3.7% and the corporate rate from 5.9% to 4.3% (falling to 4.1% in 2027). But the state imposes a net operating loss (NOL) carryforward of just 10 years, a throwback rule that taxes out-of-state activity of Arkansas corporations, and an unusual dual-rate schedule. Arkansas also has the third-highest combined state and local sales tax rate in the nation at 9.48%. Tennessee and Texas levy no individual income tax; Mississippi, Missouri, and Oklahoma all have top corporate rates of 4% or below, while Texas has no corporate income tax.

Tennessee	No individual income tax. No throwback rule. Uncapped NOL carryforward. No dual rate schedule.
Missouri	Top individual income tax rate of 4.7%; top corporate rate of 4%. No throwback rule.
Arkansas	Top income tax rate of 3.7%; corporate rate of 4.3%. NOL carryforward capped at 10 years. Throwback rule applies. Dual rate schedule. Third-highest combined sales tax rate nationally.

Recommended reforms

- **Fix the corporate income tax code:** Repeal the throwback rule and extend the NOL carryforward period.

[1] See Jack Salmon, "Interstate Migration Trends in the United States, 2018–2023: Where Are Americans Moving, and Why?" (Mercatus Policy Brief, Mercatus Center at George Mason University, July 2026). For the full analysis including sources, scan the QR code on the next page.

- **Continue reducing income and corporate tax rates:** Set explicit targets for further rate reductions and work toward a single-rate income tax structure to simplify compliance and signal a durable commitment to tax restraint.
- **Reduce the sales tax burden:** Simplify and standardize the sales tax base, reduce the overall combined rate, and eliminate exemptions that add unnecessary complexity.

Housing Policy Reforms

The supply gap

Arkansas issues approximately 4.2 housing permits per 1,000 residents annually—below the rates of neighboring Tennessee (6.6) and Texas (7.6). Constrained supply raises housing costs, reduces affordability for incoming residents, and diminishes Arkansas's attractiveness relative to peer states. The barriers are not primarily financial but regulatory. Slow permitting processes impose costs on developers that further raise the costs of the final housing products.

Recommended reforms

- **Allow residential and mixed-use development by right in commercial zones:** Allowing homes near jobs, services, and amenities would expand supply, reduce commuting costs, and support local businesses.
- **Reduce minimum lot size requirements:** Following recent reforms in states such as Texas, Maine, and Kansas, Arkansas could allow smaller, lower-cost homes while reducing pressure for outward sprawl.
- **Adopt a Property Ownership Fairness Act:** Modeled on Arizona's reforms, this law would require governments to compensate property owners before enacting regulations that reduce property rights. Such protections would encourage housing investment and construction.

Labor Market Freedom Reforms

Occupational licensing

According to the Archbridge Institute's Occupational Licensing Index, Arkansas has the 6th-highest licensing burden in the United States. Of 102 lower-income occupations studied, 72 require a license in Arkansas—compared to just 33 in neighboring Missouri.

Portable benefits for independent workers

As of 2023, more than 240,000 Arkansas residents were freelancers, contractors or self-employed workers. Yet they often lack access to benefits because companies risk legal liability when providing benefits to nonemployees. Importantly, 80.1 percent of self-employed workers in the US want access to portable benefits. Portable benefits legislation in the state would allow workers to access benefits without compromising worker flexibility or exposing companies to legal risk.

Recommended reforms

- **Review all occupational licensing statutes,** prioritizing occupations where Arkansas's requirements substantially exceed those of neighboring states.
- **Enact portable benefits legislation.**

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