

ARKANSAS

POLICY RECOMMENDATIONS

ADDRESSING SPECIAL ELECTIONS FOR LOCAL OPTION SALES TAXES



**ARKANSAS CENTER FOR
RESEARCH IN ECONOMICS**

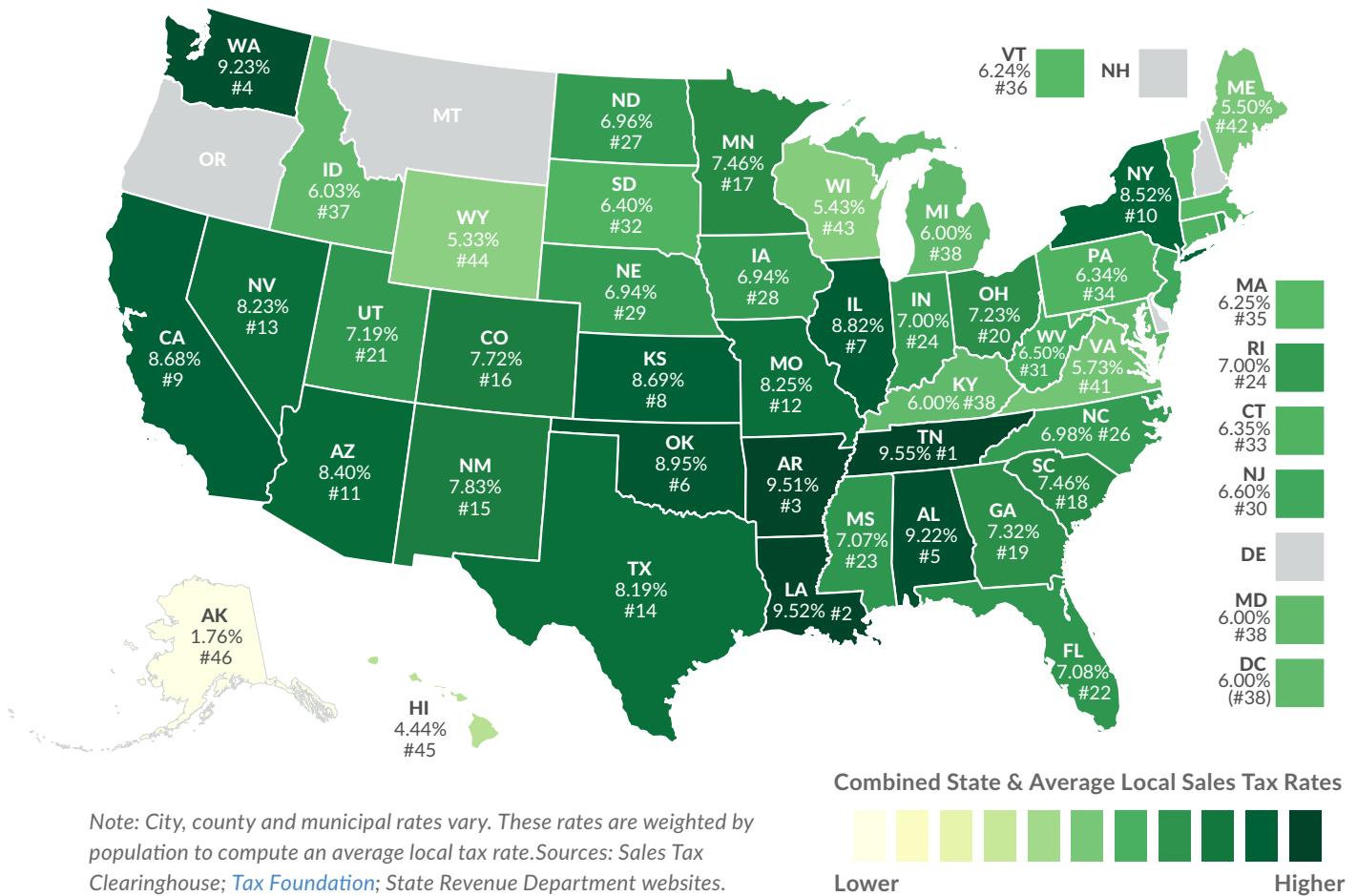
UNIVERSITY OF CENTRAL ARKANSAS

The Problem

Arkansas cities and counties can hold special elections to increase sales tax rates. Voter turnout at these special elections is much lower than when similar votes are held in general elections. Special elections for sales tax increases directly contribute to Arkansas having **one of the highest combined local and state sales tax rates in the country**.

Arkansas Has the Third Highest Combined Local and State Sales Tax Rate in the Country

Combined State & Average Local Sales Tax Rates, January 2021



- From 1981 through 2020, about **82% of the local option sales tax elections took place as special elections**, not during general or primary elections.
- **Voter turnout is much lower at special elections**: about 19% on average compared to 23% in primaries and 44% in general elections. In many cases, it is much lower.
- **Tax increases are much more likely to pass in special elections**, with a 76% success rate compared to 44% in general elections.
- **These elections are not free**. Setting up a special election costs real resources, when it essentially is free to add it to a general election ballot.

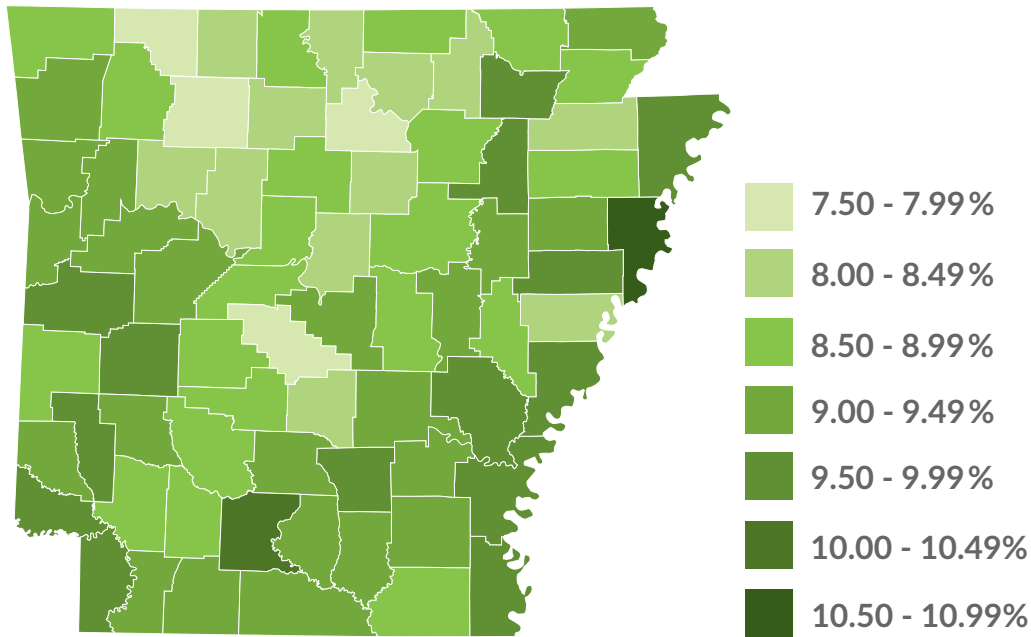
Example

In June 2018, [voters in Sherwood, Arkansas](#) approved a 0.25% permanent sales tax for the general fund (voters also approved a 0.75% temporary sales tax to fund roads and flood relief). Of the 23,808 estimated adults of voting age in the city, only 1,153 individuals voted on the measure, a turnout rate of less than 5 percent.

The measure barely passed, with 597 in favor and 556 against. In other words, only about 2.5% of voting age adults approved of this permanent tax increase. A general election was held less than five months later in November 2018. Had the tax increase been on the ballot in that special election, when 55% of Pulaski County voters turned out, the outcome would have more strongly reflected residents' wishes.

Arkansas County Sales Tax Rates

A weighted average of sales taxes within each county, including the state sales tax, county sales tax, and city sales taxes.



Source: Calculation from State of Arkansas Department of Finance and Administration's List of Cities and Counties with Local Sales and Use Tax (calculated in February 2019)

The Solution

Local option sales tax votes should be restricted to specific dates. Ideally, they could only be **held during general elections**, as are statewide ballot measures, Arkansas's other main form of direct democracy. This solution would **maximize voter turnout and ensure more citizens have a say in the level of taxes in their community**.

A second-best solution would be to hold these elections on a fixed date, such as the first week of November, in odd years when there is no general election.

Another state that serves as a good model is [Texas](#), which requires sales tax votes to be held on “uniform election dates,” which occur twice a year in March and November.

Also, [South Carolina](#) requires that local option sales tax elections be held during the general election only. They do allow elections to be held in odd-numbered years, but still on a fixed date in November (and many cities in South Carolina hold their municipal elections on this date too).

Frequently Asked Questions

Question

If voters cared about local option sales tax increases, wouldn't they turn out to the elections whenever they were held?

Answer

Voter turnout in regularly scheduled elections is low. Voter turnout in irregularly scheduled elections is even lower. If officials care about including more of their constituents in these decisions, they need to make them as regular and predictable as they can.

Won't it be impossible for cities and counties to increase sales taxes if these measures appear on the ballot during general elections?

Almost half of sales tax increases pass during general elections. Changing the timing of the elections may reduce the number of tax increases, but it would not be likely to eliminate them.

Does restricting special elections prevent citizens from exercising control over their government?

Requiring sales tax measures to be included on the ballot only during higher-turnout elections can help ensure that more citizens make their voices heard on these issues.

What if there is an emergency that requires a tax increase?

This concern could be addressed in any change in the rules about sales tax elections. For example, [HB1402 of 2019](#) in Arkansas (which did not pass) provided an exception and allowed elections to be held on any date in the case of "a fire, flood, tornado, or other natural disaster which if not addressed by an election will render the governing entity financially incapable of performing its lawful duties and obligations."

Does a special election allow voters to focus on one issue without being distracted by everything else on the ballot?

Potentially, but this must be weighed against the other downsides, such as low voter turnout. Also, statewide ballot issues are always held during general elections, but voters are able to focus on these issues without distraction in many cases.

Isn't local control and decentralization important? Why should the state tell local governments what they can do?

The Association of Arkansas Counties and Arkansas Municipal League spoke in favor of the 2019 bill which [would have limited the dates of special elections](#), indicating there would not be a large adverse impact on counties and cities.

Suggested Reading

ACRE Resources

- Newell, Aaron, "[Not So Special Elections](#)" *Arkansas Business* (Little Rock, AR), Mar. 11, 2019.
- Horpedahl, Jeremy, "[The Sales Tax, Special Elections, and Voter Turnout](#)," *The ACRE Review* (blog), March 16, 2017.
- Horpedahl, Jeremy, "[Arkansas Local Sales Tax Elections](#)," *The Arkansas Center for Research in Economics* (Data Summary), March 16, 2017.

Additional Resources

- Afonso, Whitney, Murphy, Margaret, and Tommy Tobin, *LOSTs in Detail: A Comparison of North Carolina's Local Option Sales Tax Policy with Those of Other States*, Chapel Hill, NC: University of North Carolina, 2016.

ACRE Experts



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About ACRE

The Arkansas Center for Research in Economics (ACRE) is an Arkansas focused research center housed in the College of Business at the University of Central Arkansas. ACRE scholars and policy analysts use research and analysis to find solutions for Arkansas's problems. Our research focuses on barriers to employment, taxes and subsidies, good governance and government transparency.

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