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FSA117

Tax Impacts of Agricultural Production in Arkansas, 2024

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Why Agricultural Tax Impacts Matter

Agriculture is central to Arkansas' rural communities and economy. It is also an important contributor to the public services that support our state. Farming, livestock, and forestry generate economic output and support local jobs (Seo & Pullo, 2026; Seo & Hightower, 2025).Less attention, however, is often given to the tax revenues associated with this economic activity. Agricultural production generates tax revenues that help support critical state and local needs, including roads, public schools, emergency services, and community development programs. Simply put, Arkansas producers are not just growing crops and raising livestock. They are also contributing to public resources.

This fact sheet uses 2024 IMPLAN data and input-output modeling to estimate the economic and fiscal impacts associated with Arkansas' primary agricultural production. Although downstream processing adds significant value across the agricultural supply chain, it all starts at the farm gate, making agricultural production a foundation of agribusiness in Arkansas.

Agricultural production includes the activities of farmers, ranchers, and forestry producers who use local land, labor, and capital to produce agricultural commodities. These activities also support broader economic activity through producers' purchases of intermediate inputs, such as feed, fertilizer, fuel, equipment and services. They also support economic activity when people employed directly or indirectly by agriculture spend their earnings on household goods and services (Miller & Blair, 2009). Understanding these economic and fiscal contributions provides important insights into the role of producers in sustaining rural economies while recognizing that downstream processing industries can generate additional value and tax impacts beyond the production stage.

Understanding the Tax Impacts

Agricultural economic activity generates tax revenues through three types of economic impacts.

- Direct impacts result from taxes associated with agricultural producers, processors, related businesses, and employees involved in agricultural activities.
- Indirect impacts result from producers' purchases of goods and services from suppliers throughout the agricultural supply chain.
- Induced impacts occur when workers and business owners spend their labor income on household goods and services.

The total tax contribution associated with agricultural production, therefore, extends beyond the industries directly engaged in production activities and includes broader multiplier effects throughout the state economy (Clouse, 2019).

Agricultural Production Generated $1.31 Billion in Tax Impacts

In 2024, agricultural production generated an estimated $1.31 billion in tax impacts across federal, state, county, and subcounty governments (Table 1). These tax impacts were generated not only by farm operations, but also by businesses that supply agricultural producers and by household spending supported by agricultural income. Tax impacts occurred through three channels:

- Direct impacts: $616.97 million in taxes generated by producers, employees, and businesses directly engaged in agricultural production.
- Indirect impacts: $387.13 million in taxes generated through purchases of inputs and services throughout the agricultural supply chain.
- Induced impacts: $307.25 million in taxes generated when workers and business owners spent income on housing, food, healthcare, transportation, and other household needs.

Indirect and induced impacts accounted for 52.9% of total tax impacts. In other words, more than half of the tax revenue associated with agricultural production came from economic activity beyond the farm gate, including purchases from suppliers and spending by workers and business owners. This finding highlights the broad economic connections between agriculture and the rest of Arkansas' economy.

How Tax Impacts Are Distributed by Level of Government

Of the estimated $1.31 billion in total tax impacts, $874.73 million was generated at the federal level and $342.88 million at the state level. Local governments accounted for an estimated $93.74 million in tax impacts, including $33.18 million for county governments and $60.56 million for subcounty governments. Of the $60.56 million, subcounty general governments (cities, towns, and other general purpose local governments) accounted for $40.07 million, and subcounty special districts (school districts and other special purpose local government entities) accounted for $20.49 million.

Federal tax impacts accounted for approximately 66.7% of all agricultural production tax impacts, while state governments accounted for 26.1% and local governments for 7.1%. This

Impact	Subcounty General	Subcounty Special Districts	County	State	Federal	Total
Direct	$613,136	$608,081	$617,443	$85,368,433	$529,761,200	$616,968,294
Indirect	$23,353,890	$11,758,084	$19,270,206	$149,882,300	$182,865,034	$387,129,514
Induced	$16,102,982	$8,125,581	$13,294,047	$107,627,828	$162,100,141	$307,250,579
Total	$40,070,008	$20,491,746	$33,181,696	$342,878,561	$874,726,376	$1,311,348,386

Table 1. Estimated Tax Impacts of Agricultural Production, 2024.

Source: IMPLAN 2024 data. Note: Due to rounding, individual values may not sum precisely to reported totals.

distribution reflects the broad range of income, payroll, and production-related taxes captured at the federal level. Federal tax impacts represent the largest share because agricultural activity generates substantial federal income taxes, payroll taxes, and other taxes associated with agricultural production and business activity. In contrast, county and subcounty tax impacts are smaller because local governments rely primarily on property taxes and selected consumption-based revenues, such as sales and use taxes.

Sector by Sector: Where Production Tax Impacts Come From

Agricultural production tax impacts in Arkansas were driven primarily by animal and crop production, with forestry making a smaller but still important contribution. Of the $1.31 billion in total agricultural production tax impacts generated in 2024:

- Animal production accounted for 52.1%.
- Crop production accounted for 41.5%.
- Forestry production accounted for 6.4%.

Together, animal and crop production generated more than 93% of all production-related tax impacts in the state.

Animal Production: The Largest Source of Tax Impacts

Animal production generated approximately $683.8 million in tax impacts, making it the largest contributor among Arkansas agricultural sectors (Table 2).

- Animal production generated 52.1% of all agricultural production tax impacts.
- Direct tax impacts totaled $301.1 million, including $224.3 million in federal taxes and $64.8 million in state taxes.
- Indirect and induced impacts totaled $382.7 million, meaning economic activity beyond the farm generated more tax impacts than farm operations themselves.
- County and subcounty governments accounted for approximately $62.9 million in tax impacts.

Arkansas' poultry and livestock industries are connected to suppliers and service providers throughout the economy. Purchases of intermediate goods and services generate indirect economic activity, while the spending of labor income supported by direct and indirect activity generates induced economic activity. As a result, more than half of animal production's total tax impacts came from supply chain activity and household spending rather than direct farm operations alone.

Crop Production: A Major Contributor Across Government Levels

Crop production generated approximately $543.6 million in tax impacts, accounting for 41.5% of the state's agricultural production tax impacts (Table 3).

- Indirect impacts contributed $140.5 million, while induced impacts added $150.6 million.
- Combined indirect and induced impacts totaled $291.1 million, reflecting the broad economic activity supported by crop production.

Impact	Subcounty General	Subcounty Special Districts	County	State	Federal	Total
Direct	$5,104,073	$2,668,193	$4,248,143	$64,839,478	$224,252,481	$301,112,368
Indirect	$14,657,175	$7,380,981	$12,094,766	$94,191,945	$117,182,532	$245,507,400
Induced	$7,192,902	$3,629,532	$5,938,198	$48,072,794	$72,380,913	$137,214,338
Total	$26,954,150	$13,678,705	$22,281,106	$207,104,218	$413,815,926	$683,834,106

Table 2. Estimated Tax Impacts of Animal Production, 2024.

Source: IMPLAN 2024 data. Note: Due to rounding, individual values may not sum precisely to reported totals.

Impact	Subcounty General	Subcounty Special Districts	County	State	Federal	Total
Direct	$(6,896,579)	$(3,286,742)	$(5,621,478)	$3,214,651	$265,096,395	$252,506,246
Indirect	$8,640,390	$4,348,634	$7,128,923	$55,309,506	$65,040,956	$140,468,409
Induced	$7,889,859	$3,981,252	$6,513,594	$52,737,525	$79,463,210	$150,585,439
Total	$9,633,670	$5,043,143	$8,021,038	$111,261,682	$409,600,561	$543,560,093

Table 3. Estimated Tax Impacts of Crop Production, 2024.

Source: IMPLAN 2024 data. Note 1: Negative tax impacts reflect net tax accounting within IMPLAN and may occur when subsidies or government assistance payments exceed liabilities for specific tax accounts. Negative values should not be interpreted as evidence that producers pay no taxes. Note 2: Due to rounding, individual values may not sum precisely to reported totals.

- Federal tax impacts reached $409.6 million, while state tax impacts totaled $111.3 million.
- Tax impacts remained positive across all levels of government when direct, indirect, and induced effects were combined.

An important note is that direct tax impacts were negative for some local government tax categories. These values reflect the model's net tax accounting, where government payments, such as subsidies or assistance, can exceed modeled tax liabilities in specific tax accounts. Negative values should not be interpreted as evidence that crop producers do not pay taxes. Overall, crop production generated substantial positive tax impacts for federal, state, and local governments.

Forestry Production: A Smaller but Important Contributor

Forestry production generated approximately $84.0 million in tax impacts, accounting for 6.4% of all agricultural production tax impacts in Arkansas (Table 4).

- Direct tax impacts totaled $63.3 million, representing more than 75% of forestry's total tax impacts.
- Federal tax impacts totaled $51.3 million, while state tax impacts totaled $24.5 million.
- County and subcounty governments accounted for approximately $8.1 million in combined tax impacts.
- Forestry tax impacts were concentrated primarily in direct production activities, with relatively smaller contributions from supply chain and household spending effects.

Although forestry contributes a smaller share of total agricultural tax impacts than animal or crop production, it remains an important source of economic activity and tax revenue in many parts of Arkansas. Timber harvesting, forest management, logging operations, and related activities continue to support jobs, income, and government revenues across the state.

Impact	Subcounty General	Subcounty Special Districts	County	State	Federal	Total
Direct	$2,405,642	$1,226,630	$1,990,779	$17,314,304	$40,412,325	$63,349,680
Indirect	$56,324	$28,470	$46,517	$380,848	$641,546	$1,153,705
Induced	$1,020,221	$514,797	$842,255	$6,817,509	$10,256,018	$19,450,802
Total	$3,482,188	$1,769,897	$2,879,552	$24,512,662	$51,309,889	$83,954,187

Table 4. Estimated Tax Impacts of Forestry Production, 2024.

Source: IMPLAN 2024 data. Note: Due to rounding, individual values may not sum precisely to reported totals.

How Agricultural Production Tax Impacts Are Distributed Across Sectors and Jurisdictions

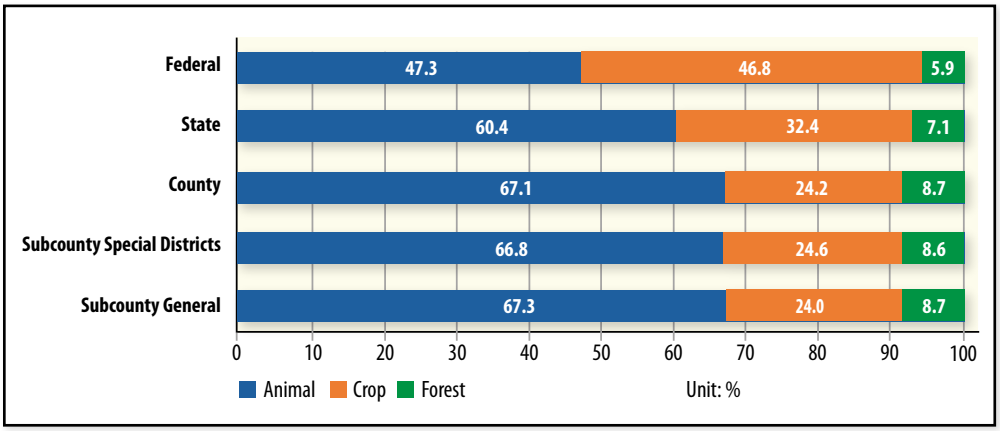
Tax impacts within agricultural production were concentrated primarily in animal and crop production industries. Sector-level estimates indicated that animal production accounted for 52.1% of agricultural production tax impacts, followed by crop production at 41.5% and forestry production at 6.4%. The composition of tax impacts varied by level of government (Figure 1). Animal production represented the largest share of state and local tax impacts, accounting for approximately two-thirds of county and subcounty tax revenues. In contrast, crop production accounted for a larger share of federal tax impacts than of state or local tax impacts. This pattern reflects the greater importance of federal tax structures and federal program related economic activity captured in the crop production sector estimates. Forestry production accounted for less than 10% of tax impacts across all jurisdictions.

The Bigger Picture: Agriculture Beyond the Farm Gate

Agricultural production doesn't operate alone. It is the foundation of a much larger agricultural economy. When production, processing, and other agriculture-related industries are considered together, Arkansas agriculture generated an estimated $5,540,330,962 in total tax impacts in 2024 (Table 5).

- Agricultural production accounted for 23.7% of this total (animal production 12.3%, crop production 9.8%, forestry production 1.5%).
- Agricultural processing accounted for 73.6%, the largest share, consistent with the larger payroll, value-added activity, capital investment, and intermediate-input purchases typical of processing industries such as meat and poultry processing, grain milling, and forest products manufacturing.
- Other agriculture-related industries, including commercial fishing, commercial hunting and trapping, and support activities for agriculture and forestry, accounted for the remaining 2.7%.
- County and subcounty jurisdictions accounted for an estimated $483.98 million in tax impacts associated with the

Figure 1. Distribution of Agricultural Production Tax Impacts by Production Sector and Taxing Jurisdiction.



Source: IMPLAN 2024 data. Note: Due to rounding, individual values may not sum precisely to reported totals.

Impact	Subcounty General	Subcounty Special Districts	County	State	Federal	Total
Direct	$61,347,549	$31,647,197	$50,906,268	$569,506,422	$1,907,661,863	$2,621,069,299
Indirect	$85,007,684	$42,974,392	$70,209,386	$576,400,619	$984,200,615	$1,758,792,695
Induced	$60,894,160	$30,726,568	$50,271,785	$406,874,251	$611,702,204	$1,160,468,968
Total	$207,249,392	$105,348,157	$171,387,439	$1,552,781,292	$3,503,564,682	$5,540,330,962

Table 5. Estimated Total Tax Impacts of Agricultural Production, Processing, and Other Agriculture-Related Industries, 2024.

Source: IMPLAN 2024 data. Note: Due to rounding, individual values may not sum precisely to reported totals.

Industry Category	Sector	Percentage (%)
Production	Animal	12.3
	Crop	9.8
	Forest	1.5
	Sub total	23.7
Processing	Animal	25.6
	Crop	23.2
	Forest	24.8
	Sub total	73.6
Other Ag-related industries		2.7
Grand Total		100

Table 6. Percentage Distribution of Total Tax Impacts by Industry Category and Sector.

Source: IMPLAN 2024 data.
Note 1: Other Ag-related industries include Commercial fishing, Commercial hunting and trapping, and Support activities for agriculture and forestry.
Note 2: Due to rounding, individual values may not sum precisely to reported totals.
Note 3: Percentages are based on total modeled tax impacts by category and sector. Dollar totals for agricultural production are shown in Tables 2–4; processing and other agriculture-related industry totals are based on the underlying IMPLAN model aggregation.

broader agricultural economy, showing agriculture's role as a revenue base for local governments.

Note that processing estimates represent economic activity within agricultural processing industries included in the model and do not necessarily indicate that all raw agricultural inputs used by those processors were produced in Arkansas.

Endnote

For more details on the tax breakdown and methodology, please see the Public Policy Center's white paper, Tax Impacts of Agricultural Production in Arkansas, 2024.

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FSA117-PD-11-2026

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