

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

Act 254 of the Regular Session

1 State of Arkansas  
2 85th General Assembly  
3 Regular Session, 2005  
4

As Engrossed: H2/10/05

A Bill

HOUSE BILL 1415

5 By: Representatives Dunn, J. Martin  
6  
7

8 **For An Act To Be Entitled**

9 AN ACT TO PROVIDE REQUIREMENTS FOR THE  
10 CONTRACTUAL REIMBURSEMENT OF FEDERAL TAXES; AND  
11 FOR OTHER PURPOSES.  
12

13 **Subtitle**

14 AN ACT TO PROVIDE REQUIREMENTS FOR THE  
15 CONTRACTUAL REIMBURSEMENT OF FEDERAL  
16 TAXES.  
17  
18

19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
20

21 SECTION 1. Title 4, Chapter 56, Subchapter 1 is amended to add a new  
22 section to read as follows:

23 4-56-103. Reimbursement for taxes.

24 (a)(1) If a contract requires one (1) party to reimburse another party  
25 for the federal excise tax imposed by 26 U.S.C. § 4081 or 26 U.S.C. § 4091,  
26 whether as a separate item or as part of the contract price, the reimbursing  
27 party at its option and notwithstanding contrary terms of the contract shall  
28 not be required to make the reimbursement more than one (1) business day  
29 before the day on which the reimbursed party must remit the taxes to the  
30 Internal Revenue Service.

31 (2) Exercise of the option provided by subdivision (a)(1) of  
32 this section shall not relieve the reimbursing party of its obligation to  
33 make the reimbursement as required by the contract, but shall affect only the  
34 timing of that reimbursement.

35 (b)(1) Written notice of the reimbursing party's intent to exercise



1 the option provided in subsection (a) of this section shall be given to the  
2 reimbursed party.

3 (2) The notice shall state the effective date of the exercise of  
4 the option which shall be no earlier than thirty (30) days after the notice  
5 of intent is received by the reimbursed party or the beginning of the  
6 reimbursed party's next federal tax quarter, whichever is later.

7 (c)(1) If a reimbursing party exercises the option provided in  
8 subsection (a) of this section, the reimbursed party may demand security for  
9 the payment of the taxes in proportion to the amount the taxes represent  
10 compared to the security demanded on the contract as a whole.

11 (2) The reimbursed party may also require reimbursement to be  
12 made by electronic transfer of funds, but may not change the other payment  
13 terms of the contract without a valid business reason.

14 (d)(1) This section shall apply to all contracts that are:

15 (A) Continuing contracts with no fixed expiration date and  
16 are in effect on the effective date of this section; or

17 (B) Entered into or renewed after the effective date of  
18 this section.

19 (2) All contracts in effect on the effective date of this  
20 section that contain a fixed expiration date shall be governed by the law as  
21 it existed prior to the effective date of this section.

22  
23 */s/ Dunn, et al*

24  
25  
26 *APPROVED: 2/22/2005*

1