

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1696

Bill Subtitle: TO EQUALIZE THE SALES TAX TREATMENT OF DUES AND MEMBERSHIP FEES FOR CERTAIN CLUBS AND FACILITIES; AND TO LEVY A SALES TAX ON DUES AND MEMBERSHIP FEES TO CERTAIN FACILITIES AND CLUBS.

Basic Change :

Representative Deffenbaugh

The bill provides that dues and membership fees to golf facilities, tennis clubs, and racquet clubs are subject to state and local sales tax regardless of whether the facility holds an ABC permit. Current law imposes the tax on the dues and membership fees only if the facility holds an ABC permit. The proposal also continues the current exemption on fees for services performed by those facilities unless the service being performed is specifically enumerated as a taxable service under state law. The proposal also corrects a code citation in current law. The proposal would be effective on the first day of the calendar quarter following the effective date of the proposal.

Revenue Impact :

FY14 Tax Increase

Total Impact to State Revenues **+\$350,000**
[8 Months of Increased Tax Collections -- 10/1/2013 Effective Date]
+\$ 234,312 ---State General Revenue (4.5%)
+\$ 45,561 ---Educational Adequacy (.875% tax)
+\$ 23,035 ---Property Tax Relief Trust Fund (.5%)
+\$ 6,509 ---Conservation Tax (.125%)
+\$ 26,035 ---Highway Fund (.5%)
+\$ 0 ---Educational Excellence Trust Fund
+\$ 0 ---Educational Adequacy (GR transfer)
+\$ 8,050 ---State Central Services
+\$ 3,500 ---Constitutional Officers
Total Impact to City and County Sales Tax **+\$120,000**

FY15 Tax Increase

Total Impact to State Revenues **+\$520,000**
+\$ 312,059 ---State General Revenue (4.5%)
+\$ 67,690 ---Educational Adequacy (.875% tax)
+\$ 38,680 ---Property Tax Relief Trust Fund (.5%)
+\$ 9,670 ---Conservation Tax (.125%)
+\$ 38,680 ---Highway Fund (.5%)
+\$ 33,132 ---Educational Excellence Trust Fund
+\$ 2,929 ---Educational Adequacy (GR transfer)
+\$ 11,960 ---State Central Services
+\$ 5,200 ---Constitutional Officers
Total Impact to City and County Sales Tax **+\$170,000**

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1696

Bill Subtitle: TO EQUALIZE THE SALES TAX TREATMENT OF DUES AND MEMBERSHIP FEES FOR CERTAIN CLUBS AND FACILITIES; AND TO LEVY A SALES TAX ON DUES AND MEMBERSHIP FEES TO CERTAIN FACILITIES AND CLUBS.

Taxpayer Impact :

Taxpayers who don't currently hold an ABC permit for these facilities would begin collecting the tax.

Resources Required :

None

Time Required :

Adequate time is allowed in the proposal.

Procedural Changes :

Education of staff and a revision of the rules.

Legal Analysis :

Currently, Arkansas sales tax applies to membership dues for health spas, health clubs, fitness clubs, and private clubs that hold any permit from the Alcoholic Beverage Control Board. This bill would make membership dues to all golf facilities, tennis clubs, and racquet clubs taxable regardless of whether such clubs hold an ABC permit.

Current law excludes from tax services that are otherwise not taxable that are provided by or through a health spa, health club, fitness club, or private club. The bill extends that exclusion to apply also to services provided by or through a golf facility, tennis club, or racquet club.

The bill corrects a citation to the definition of a "private club" that is currently incorrect in Ark. Code Ann. § 26-52-301(6)(A)(ii).

The bill is effective on the first day of the calendar quarter following the effective date of the act.