

Department of Finance and Administration

Legislative Impact Statement

Bill: SB224

Bill Subtitle: TO PROVIDE A SALES AND USE TAX EXEMPTION FOR SALES TO CHURCHES.

Basic Change :

Sponsor: Senator Rapert

SB224 would amend Arkansas Sales and Use Tax code provisions to exempt sales of products and services to churches in Arkansas. The proposal would be effective on the first day of the calendar quarter following the effective date of the act.

Revenue Impact :

	FY2018	FY2019
TOTAL	-\$14.07million	-\$21.10million
---State Central Services	-\$0.30million	-\$0.46million
---Constitutional Officers	-\$0.14million	-\$0.21million
---General Revenue	-\$9.20million	-\$12.72million
---Educational Excellence Trust Fund		-\$1.30million
---Educational Adequacy (GR transfer)		-\$0.12million
---Educational Adequacy (7/8% tax)	-\$1.79million	-\$2.75million
---Property Tax Relief Trust Fund	-\$1.02million	-\$1.57million
---Conservation Tax	-\$0.26million	-\$0.39million
---Highway Fund	-\$1.02million	-\$1.57million
City and County Sales Tax Loss	-\$4.87million	-\$7.30million

Effective Date of October 1, 2017 --- 8 months of reduced tax collections in FY2018

[Estimated calculated using an annual income/budget of all churches in Arkansas (approximately 6,060 churches in Arkansas equaling 1.94% of all churches in the United States) and applying the percent of church budgets that are used to purchase products and services subject to sales taxes. The analysis determined that estimated annual income/budgets for all Arkansas churches totaled \$1,359,026,307 with taxable expenditures equaling an average of 22% of the budget expenditures.]

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Taxpayer Impact :

Churches when purchasing goods and services would no longer pay state and local sales tax.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Modification of rules and instruction sets to retailers for implementation.

Other Comments :

None.

Legal Analysis :

This bill amends § 26-52-401(1) to exempt from sales and use tax the sale of tangible personal property and taxable services to churches. This bill may create an inconsistency in the way that churches are treated compared with other nonprofit organizations. Currently churches and other nonprofits are subject to sales and use tax when they purchase tangible personal property and certain specified services unless the purchases are for resale. Extending an exemption to a religious nonprofit but not to similarly-situated nonprofits may raise constitutional concerns with regard to the First Amendment to the United States Constitution and Article 2, § 24 of the Arkansas Constitution.