

1 **State of Arkansas**
2 **79th General Assembly**
3 **Regular Session, 1993**

A Bill

HOUSE BILL 1575

4 **By: Representatives Northcutt and Riable**

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For An Act To Be Entitled

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"AN ACT TO CLARIFY THE GROSS RECEIPTS TAX ON DEBT
9 COLLECTION SERVICES; AND FOR OTHER PURPOSES."

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Subtitle

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"AN ACT TO CLARIFY THE GROSS RECEIPTS TAX ON DEBT
13 COLLECTION SERVICES."

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16 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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18 *SECTION 1. The tax levied on the service of providing a credit report*
19 *and the service of collecting a debt or account receivable by Ark. Code Ann.*
20 *§26-52-301(3)(E) shall be levied and collected as follows:*

21 *(1) The tax shall be applicable to services provided to third parties*
22 *in providing a credit report or in collecting a delinquent debt in*
23 *this state where the debtor and the creditor had an address or*
24 *place of business within this state at the time the debt was*
25 *created or referred for collection. This tax shall not be*
26 *collected on delinquent debts owed by a debtor to a creditor*
27 *neither of which had an address or place of business within this*
28 *state at the time the debt was created or referred for collection.*

29 *(2) This gross receipts tax shall be levied and calculated on the*
30 *amounts received as payment for collection services and not on the*
31 *total amount of the debt collected.*

32 *(3) Any person providing the service of collecting a delinquent debt shall*
33 *collect the tax from the debtor in addition to the amount of the debt*
34 *being collected. If the person providing the service of collecting the*
35 *debt fails to collect the tax from the debtor, the person is responsible*

1 for paying the proper amount of tax due and may collect the tax from the
2 creditor.

3 (4) The provisions of Ark. Code Ann. §26-52-301(3)(E) shall not apply
4 to the collection of a debt by an attorney or by a partnership or
5 professional corporation of attorneys unless the debt arose from
6 the extension of credit. If an attorney performs services, in
7 connection with the collection of a debt based upon the extension
8 of credit, amounts received as payment for services prior to the
9 filing of a complaint are subject to the tax and all amounts
10 received for payment of services after the filing of a complaint
11 are not subject to the tax.

12 (5) The tax shall not apply to the collection of accounts which are
13 serviced by a billing service as current accounts and are
14 collected by the billing service after becoming delinquent.

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16 SECTION 2. All provisions of this act of a general and permanent nature
17 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
18 Revision Commission shall incorporate the same in the Code.

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20 SECTION 3. If any provision of this act or the application thereof to
21 any person or circumstance is held invalid, such invalidity shall not affect
22 other provisions or applications of the act which can be given effect without
23 the invalid provision or application, and to this end the provisions of this
24 act are declared to be severable.

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26 SECTION 4. All laws and parts of laws in conflict with this act are
27 hereby repealed.

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29 SECTION 5. It is hereby found and determined by the General Assembly of
30 the State of Arkansas that Act 5 of the Second Extraordinary Session of 1992
31 levies a gross receipts tax on the service of collecting a debt or account
32 receivable; that this act has caused confusion as to who is subject to the tax
33 and what constitutes taxable services in connection with the collection of
34 debts or accounts receivable; that this act will clarify some of the confusion
35 that exists; and that since the tax becomes effective on March 1, 1993, this

1 act is necessary immediately. Therefore, an emergency is hereby declared to
2 exist and this act being necessary for the immediate preservation of the
3 public peace, health and safety shall be in full force and effect from and
4 after its passage and approval.

5 /s/W. Northcutt, et al

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As Engrossed: 2/17/93 2/26/93

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