

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.

1 State of Arkansas
2 84th General Assembly
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4

As Engrossed: S3/18/03 H3/25/03 H4/3/03

A Bill

Act 1273 of 2003
SENATE BILL 483

5 By: Senators Hill, Wooldridge, Glover, G. Jeffress, Miller, T. Smith, Trusty, Broadway, Bryles
6 By: Representatives Thomason, *Bond, Hickinbotham, Jackson, Boyd, D. Evans, Ferguson, Gillespie,*
7 *King, Mack, Mahony, Mathis, Milligan, Napper, Ormond, Pate, L. Prater, Scroggin, R. Smith, Stovall*
8
9

For An Act To Be Entitled

11 AN ACT TO ENABLE ARKANSAS TO ENTER INTO THE
12 STREAMLINED SALES AND USE TAX AGREEMENT WITH
13 OTHER STATES AS PROVIDED IN ARKANSAS CODE § 26-
14 20-101, ET SEQ., BY AMENDING THE ARKANSAS GROSS
15 RECEIPTS ACT OF 1941, § 26-52-101 ET SEQ., THE
16 ARKANSAS COMPENSATING TAX ACT OF 1949, § 26-53-
17 101 ET SEQ., ARKANSAS CODE § 26-74-101, ET SEQ.,
18 ARKANSAS CODE § 26-75-101, ET SEQ., ARKANSAS CODE
19 § 26-81-101, ET SEQ., ARKANSAS CODE § 14-164-301,
20 ET SEQ., AND ARKANSAS CODE § 26-3-307, ET SEQ.;
21 AND FOR OTHER PURPOSES.
22

Subtitle

23 TO ENABLE ARKANSAS TO ENTER INTO THE
24 STREAMLINED SALES AND USE TAX AGREEMENT
25 BY AMENDING THE ARKANSAS SALES AND USE
26 TAX LAWS.
27
28

29 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
30

SECTION 1. Fundamental Purpose.

31
32 (a) In order to allow Arkansas to enter into a Streamlined Sales and
33 Use Tax Agreement, Arkansas must simplify and modernize its sales and use tax
34 laws.

35 (b) The Streamlined Sales and Use Tax Agreement focuses on improving
36 sales and use tax administration systems for all sellers and for all types of



1 commerce through all of the following:

- 2 (1) State level administration of sales and use tax collections;
- 3 (2) Uniformity in the state and local tax bases;
- 4 (3) Uniformity of major tax base definitions;
- 5 (4) Central, electronic registration system for all member
- 6 states;
- 7 (5) Simplification of state and local tax rates;
- 8 (6) Uniform sourcing rules for all taxable transactions;
- 9 (7) Simplified administration of exemptions;
- 10 (8) Simplified tax returns;
- 11 (9) Simplification of tax remittances; and
- 12 (10) Protection of consumer privacy.

13 (c) The Director of the Arkansas Department of Finance and
14 Administration may enter into the Streamlined Sales and Use Tax Agreement
15 ("agreement"), as described in subsection (a) and (b), upon the agreement
16 going into effect as outlined by that agreement.

17 (d)(1) The General Assembly has the authority to establish the
18 parameters of state and local sales and use taxes, including the application,
19 exemptions, limitations, and administration of those taxes.

20 (2) The changes to existing law effectuated by this act are
21 intended as an expression of the General Assembly's authority to modify the
22 parameters of state and local sales and use taxes, and the changes are not
23 intended as a revocation or restraint of the power of cities and counties to
24 levy local sales and use taxes.

25 (3) It is the intent of the General Assembly that any
26 modifications to the application or administration of local sales and use
27 taxes resulting from this act shall not require the approval of local voters,
28 and that the modifications shall not invalidate existing local sales and use
29 taxes.

30
31 SECTION 2. Arkansas Code § 26-3-307 is amended as follows:

32 26-3-307. ~~Adaptive~~ Durable medical equipment, mobility enhancing
33 equipment, and disposable medical supplies.

34 (a) Gross receipts or gross proceeds derived from the rental, sale, or
35 repair of ~~adaptive~~ durable medical equipment prescribed by a physician,
36 mobility enhancing equipment prescribed by a physician, and disposable

1 medical supplies prescribed by a physician shall be exempt from all state and
2 local sales and use taxes.

3 (1) This exemption shall only apply to ~~adaptive~~ durable medical
4 equipment, mobility enhancing equipment, and disposable medical supplies
5 prescribed for a specific patient prior to the sale.

6 (2) This exemption shall not apply to items purchased by
7 physicians, hospitals, nursing homes, or long-term care facilities for use by
8 their patients or residents.

9 (b) For the purpose of this section,

10 (1) "~~adaptive~~ Durable medical equipment, mobility enhancing
11 equipment, and disposable medical supplies" shall include, but not be limited
12 to, the following:

13 ~~(1)~~(A) Wheelchairs;

14 ~~(2)~~(B) Leg braces;

15 ~~(3)~~(C) Wheelchair lifts;

16 ~~(4)~~(D) Ostomy, urostomy, and colostomy supplies;

17 ~~(5)~~(E) Raised toilet seats;

18 ~~(6)~~(F) Catheters;

19 ~~(7)~~(G) Wheelchair batteries, tires, cushions, and supplies;

20 ~~(8)~~(H) Enemas, suppositories, and laxatives used in routine

21 bowel care;

22 ~~(9)~~(I) Flexor wrist splints;

23 ~~(10)~~(J) Trapeze bars;

24 ~~(11)~~(K) Grab bars and hand rails;

25 ~~(12)~~(L) Wheelchair adaptive devices;

26 ~~(13)~~(M) Hospital beds and adaptive devices;

27 ~~(14)~~(N) Patient lifts;

28 ~~(15)~~(O) Orthopedic shoes and devices such as shoe lifts and

29 inserts;

30 ~~(16)~~(P) Walkers;

31 ~~(17)~~(Q) Crutches;

32 ~~(18)~~(R) Automobile hand controls;

33 ~~(19)~~(S) Shower benches and chairs;

34 ~~(20)~~(T) Disposable undergarments and linen savers;

35 ~~(21)~~(U) Prosthetics;

36 ~~(22)~~(V) Braille writers, large print aids, visual and

1 communication aids for those who are legally blind;

2 ~~(23)(W)~~ Hearing aids;

3 ~~(24)(X)~~ Telecommunications devices and other communication
4 devices for the deaf, hearing impaired, and others with communicative
5 disorders; and

6 ~~(25)(Y)~~ Speech devices for those with laryngectomies.

7 (2) "Durable medical equipment" means equipment including repair
8 and replacement parts for the equipment, that:

9 (A) Can withstand repeated use;

10 (B) Is primarily and customarily used to serve a medical
11 purpose;

12 (C) Generally is not useful to a person in the absence of
13 illness or injury; and

14 (D) Is not worn in or on the body.

15 (3)(A) "Mobility enhancing equipment" means equipment including
16 repair and replacement parts for the equipment.

17 (B) "Mobility enhancing equipment" does not include
18 "durable medical equipment," that:

19 (i) Is primarily and customarily used to provide or
20 increase the ability to move from one place to another and which is
21 appropriate for use either in a home or a motor vehicle;

22 (ii) Is not generally used by persons with normal
23 mobility; and

24 (iii) Does not include any motor or equipment on a
25 motor vehicle normally provided by a motor vehicle manufacturer.

26 ~~(e)(4)~~ For the purpose of this section, ~~"physician"~~ "Physician" means
27 a person licensed under § 17-95-401 et seq.

28 (5)(A) "Prosthetics" means a replacement, corrective, or
29 supportive device including repair and replacement parts for the prosthetic
30 worn on or in the body to:

31 (i) Artificially replace a missing portion of the
32 body;

33 (ii) Prevent or correct physical deformity or
34 malfunction; or

35 (iii) Support a weak or deformed portion of the
36 body.

1 (B) "Prosthetics" does not include corrective eyeglasses,
2 contact lenses, and dental prosthesis.

3
4 SECTION 3. Arkansas Code § 26-52-101 is amended to read as follows:

5 26-52-101. Title.

6 This ~~act~~ chapter shall be known and cited as the "Arkansas Gross
7 Receipts Act of 1941".

8
9 SECTION 4. Arkansas Code § 26-52-103 is amended to read as follows:

10 26-52-103. Definitions.

11 ~~(a) The following words and phrases, except where the context clearly~~
12 ~~indicates a different meaning, when used in this act shall have the following~~
13 ~~meanings~~ As used in this chapter:

14 (1) "Person" includes any individual, company, partnership,
15 limited liability company, joint venture, joint agreement, association,
16 mutual or otherwise, corporation, estate, trust, business trust, fiduciary,
17 receiver, or trustee appointed by any state or federal court or otherwise,
18 syndicate, this state, any county, city, municipality, school district, or
19 any other political subdivision of the state or group or combination acting
20 as a unit, or any other legal entity;

21 (2) "Director" means the Director of the Department of Finance
22 and Administration, or any of his authorized agents;

23 (3)(A) "Sale" is declared to mean the transfer of either the
24 title or possession, except in the case of leases or rentals, for a valuable
25 consideration of tangible personal property, regardless of the manner,
26 method, instrumentality, or device by which the transfer is accomplished.

27 (B) "Sale" is also declared to include the exchange,
28 barter, lease, or rental of tangible personal property.

29 (C)(i) In the case of leases or rentals for less than
30 thirty (30) days of tangible personal property including motor vehicles and
31 trailers, the tax shall be paid on the basis of rental or lease payments made
32 to the lessor of such tangible personal property during the term of the lease
33 or rental regardless of whether Arkansas gross receipts tax or compensating
34 use tax was paid by the lessor at the time of the purchase of the property.

35 (ii) In the case of leases or rentals for thirty
36 (30) days or more of tangible personal property including motor vehicles and

1 trailers, the tax shall be paid on the basis of rental or lease payments made
2 to the lessor of the tangible personal property during the term of the lease
3 or rental unless Arkansas gross receipts tax or compensating use tax was paid
4 by the lessor at the time of the purchase of the property.

5 (iii) Any person engaged in the business of leasing
6 or renting motor vehicles shall collect, report, and remit gross receipts tax
7 on the lease or rental payments in lieu of paying tax at the time of
8 registration.

9 (D) "Sale" shall also include the sale, giving away,
10 exchanging, or other disposition of admissions, dues, or fees to clubs, to
11 places of amusement, or recreational or athletic events, or for the privilege
12 of having access to or the use of amusement, athletic, or entertainment
13 facilities.

14 (E) "Sale" shall not include the furnishing or rendering
15 of services, except as otherwise provided in this section;

16 (4)(A)~~(i)~~ "Gross receipts" or "gross proceeds" means the total
17 amount of consideration for the sale of tangible personal property and such
18 services as are herein specifically provided for, whether the consideration
19 is in money or otherwise, without any deduction on account of the cost of the
20 properties sold, all taxes imposed on the seller, all costs of transportation
21 to the seller, labor service performed, interest paid, losses, or any
22 expenses whatsoever.

23 ~~(ii) However, the term "gross receipts" or "gross~~
24 ~~proceeds" shall not include the manufacturer's federal excise taxes levied~~
25 ~~upon articles if the manufacturer's federal excise taxes are separately~~
26 ~~stated or separately billed.~~

27 (B)~~(i)~~ The term "gross proceeds" or "gross receipts" shall
28 include the value of any goods, wares, merchandise, or property withdrawn or
29 used from the established business or from the stock in trade of the
30 established reserves for consumption or use in such business or by any other
31 person.

32 ~~(ii)(C) However, the~~ The term "gross receipts" or "gross
33 proceeds" shall not include:

34 (i) ~~the~~ The value of any goods, wares,
35 merchandise, or property withdrawn or used from the established business or
36 from the stock in trade of the established reserves for consumption or use in

1 such business or by any other person if the goods, wares, merchandise, or
 2 property withdrawn or used is donated to National Guard members, emergency
 3 service workers or volunteers providing services to a county which has been
 4 declared a disaster area by the Governor;

5 (ii) Discounts, including cash, term, or
 6 coupons that are not reimbursed by a third party that are allowed by a seller
 7 and taken by a purchaser on a sale;

8 (iii) Interest, financing, and carrying
 9 charges from credit extended on the sale of personal property or services, if
 10 the amount is separately stated on the invoice; or

11 (iv) Any taxes legally imposed directly on the
 12 consumer that are separately stated on the invoice, bill of sale, or similar
 13 document given to the purchaser;

14 (5) "Taxpayer" means any person liable to remit a tax hereunder
 15 or to make a report for the purpose of claiming any exemption from payment of
 16 taxes levied by this ~~act~~ chapter;

17 (6) "Established business" means any business operated or
 18 conducted by any person in a continuous manner for any length of time from an
 19 established place or in an established manner;

20 (7) "Seller" means every person making a sale in an established
 21 business as defined in this section;

22 (8) "Tax period" or "taxable period" means either the calendar
 23 period or the taxpayer's fiscal period where a taxpayer has obtained a permit
 24 from the director or from any of his authorized agents to use a fiscal period
 25 in lieu of a calendar period;

26 (9)(A)(i) "Consumer" or "user" means the person to whom the
 27 taxable sale is made or to whom taxable services are furnished.

28 (ii) All contractors are deemed to be
 29 consumers or users of all tangible personal property, including materials,
 30 supplies, and equipment, used or consumed by them in performing any
 31 contract~~;~~ and

32 (iii) ~~the~~ The sales of all such property to
 33 contractors are taxable sales within the meaning of this ~~act~~ chapter.

34 (B) "Contract" means any agreement or undertaking to
 35 construct, manage, or supervise the construction, erection, alteration, or
 36 repair of any building or other improvement or structure affixed to real

1 estate, including any of their component parts.

2 (C) "Contractor" means any person who contracts or
3 undertakes to construct, manage, or supervise the construction, erection,
4 alteration, or repair of any building or other improvement or structure
5 affixed to real estate, including any of their component parts;

6 (10)(A) "Doing business" or "engaging in business" includes any
7 and all local activity regularly and persistently pursued by any seller or
8 vendor through agents, employees, or representatives with the object of gain,
9 profit, or advantage and which results in a sale, delivery, or the transfer
10 of the physical position of any tangible personal property by the vendor to
11 the vendee, at or from any point within Arkansas, whether from warehouse,
12 store, office, storage point, rolling store, motor vehicle, delivery
13 conveyance, or by any method or device under the control of seller effecting
14 such local delivery, without regard to the terms of sale with respect to
15 point of acceptance of the order, point of payment, or any other condition;

16 (B) "Doing business" or "engaging in business", as set out
17 in this subdivision, is equally applicable to sellers of services as are made
18 the subject matter of the tax imposed by this act;

19 (C) The provisions of this subdivision shall be cumulative
20 to the gross receipts tax law and shall not be construed as levying a tax on
21 any receipts derived from personal or professional services not heretofore
22 made the subject matter and within the scope of the present gross receipts
23 tax law, as amended, nor shall the provisions of this subdivision be
24 construed as repealing or modifying any of the provisions therein.

25 ~~(b) The definitions of words provided in this section are for the~~
26 ~~purposes of this act only.~~

27 (11)(A) "Direct mail" means printed material delivered or
28 distributed by United States mail or other delivery service to a mass
29 audience or to addressees on a mailing list provided by the purchaser or at
30 the direction of the purchaser when the cost of the items are not billed
31 directly to the recipients.

32 (B) "Direct mail" includes tangible personal property
33 supplied directly or indirectly by the purchaser to the direct mail seller
34 for inclusion in the package containing the printed material.

35 (C) "Direct mail" does not include multiple items of
36 printed material delivered to a single address;

1 (12)(A)(i) “Lease or rental” means any transfer of possession or
2 control of tangible personal property for a fixed or indeterminate term for
3 consideration.

4 (ii) A lease or rental may include future options to
5 purchase or extend.

6 (B) Lease or rental does not include:

7 (i) A transfer of possession or control of property
8 under a security agreement or deferred payment plan that requires the
9 transfer of title upon completion of the required payments;

10 (ii) A transfer of possession or control of property
11 under an agreement that requires the transfer of title upon completion of
12 required payments and payment of an option price that does not exceed the
13 greater of one hundred dollars (\$100) or one percent (1%) of the total
14 required payments; or

15 (iii)(a) Providing tangible personal property along
16 with an operator for a fixed or indeterminate period of time.

17 (b) A condition of this exclusion is that the
18 operator is necessary for the equipment to perform as designed.

19 (c) For the purpose of this subdivision, an
20 operator must do more than maintain, inspect, or set-up the tangible personal
21 property.

22 (C) Lease or rental does include agreements covering motor
23 vehicles and trailers where the amount of consideration may be increased or
24 decreased by reference to the amount realized upon sale or disposition of the
25 property as defined in 26 U.S.C. § 7701(h)(1).

26 (D) This definition shall be used for sales and use tax
27 purposes regardless if a transaction is characterized as a lease or rental
28 under generally accepted accounting principles, the Internal Revenue Code,
29 the Arkansas Uniform Commercial Code, or other provisions of federal, state
30 or local law.

31 (E)(i) This definition will be applied only prospectively
32 from the effective date of this subdivision and will have no retroactive
33 impact on existing leases or rentals.

34 (ii) This definition shall neither impact any
35 existing sale-leaseback exemption nor exclusions; and

36 (13) “Retail sale or sale at retail” means any sale, lease, or

1 rental for any purpose other than for resale, sublease, or subrent.

2
3 SECTION 5. Arkansas Code § 26-52-202 is amended to read as follows:
4 26-52-202. Application for permit.

5 (a) Every taxpayer shall file with the director an application for a
6 permit to conduct the business, setting forth such information as the
7 director may require.

8 (b) The application shall be signed by the owner of the business as a
9 natural person or, in the case of a corporation, by a legally constituted
10 officer thereof, except sellers that register electronically will not be
11 required to provide a written signature.

12 (c) Taxpayers are permitted to file an application through an agent if
13 the registration is filed with the director and is made in writing.

14
15 SECTION 6. Arkansas Code § 26-52-301(3)(A), pertaining to the taxation
16 of telecommunications services, is repealed.

17 ~~(3)(A)(i) Service by telephone, telecommunications, and~~
18 ~~telegraph companies to subscribers or users, including transmission of~~
19 ~~messages or images, whether local or long distance.~~

20 ~~(ii) Taxable services shall include basic local~~
21 ~~service and rental charges, including all installation and construction~~
22 ~~charges and all service and rental charges having any connection with~~
23 ~~transmission of any message or image.~~

24 ~~(iii) Except as provided in subdivision (3)(A)(iv)~~
25 ~~of this section, taxable long distance services shall include:~~

26 ~~(a) Long distance messages that originate and~~
27 ~~terminate within this state;~~

28 ~~(b) Interstate long distance messages that~~
29 ~~originate within this state and terminate outside this state and are billed~~
30 ~~to an Arkansas telephone number or customer location;~~

31 ~~(c) Interstate long distance messages that~~
32 ~~originate outside of this state and terminate within this state and are~~
33 ~~billed to an Arkansas telephone number or customer location; and~~

34 ~~(d) [Effective August 1, 2002.] Long distance~~
35 ~~messages which originate and terminate outside this state made by mobile~~
36 ~~telecommunications service which are charged to a customer who maintains a~~

1 ~~place of primary use in this state.~~

2 ~~(iv) However, the following services shall not be~~
3 ~~subject to the tax:~~

4 ~~(a) Any interstate private communications~~
5 ~~service that is not accessible by the public;~~

6 ~~(b) Any interstate service that allows access~~
7 ~~to private telephone lines and that is not accessible by the public;~~

8 ~~(c) Any interstate wide area~~
9 ~~telecommunications service or other similar service that entitles the~~
10 ~~subscriber to make or receive an unlimited number of communications to or~~
11 ~~from persons having telecommunications service in a specified area that is~~
12 ~~outside the state in which the station provided with this service is located;~~
13 ~~or~~

14 ~~(d) Any telephone or telecommunication~~
15 ~~services paid by utilizing a prepaid telephone calling card or prepaid~~
16 ~~authorization number as provided in § 26-52-314.~~

17 ~~(v)(a) This tax shall apply to all customer access~~
18 ~~line charges billed to an Arkansas telephone number. Access line charges are~~
19 ~~those charges associated with or for access to the long distance network.~~

20 ~~(b) However, access or other telecommunication~~
21 ~~services provided to telephone, telegraph, or telecommunications companies~~
22 ~~that will be used to provide telecommunications services shall not be subject~~
23 ~~to this tax.~~

24 ~~(vi)(a) [Effective August 1, 2002.] The Mobile~~
25 ~~Telecommunications Sourcing Act, Pub.L. 106-252, as in effect on January 1,~~
26 ~~2001, is adopted in its entirety. All charges for mobile telecommunications~~
27 ~~services are deemed to be provided by the customer's home service provider~~
28 ~~and sourced to the customer's place of primary use and shall be subject to~~
29 ~~gross receipts tax based upon the customer's place of primary use as~~
30 ~~determined by the Mobile Telecommunications Sourcing Act, Pub.L. 106-252.~~

31 ~~(b)(1) [Effective August 1, 2002.] Any~~
32 ~~customer who alleges that an amount of tax, charge, or fee or that the~~
33 ~~assignment of the place of primary use or taxing jurisdiction included on a~~
34 ~~billing is erroneous shall notify the home service provider in writing. The~~
35 ~~customer must include the street address for the customer's place of primary~~
36 ~~use, the account name and number for which the correction of tax assignment~~

1 ~~is sought, a description of the alleged error, and any other information~~
2 ~~requested by the home service provider necessary to process the request.~~

3 ~~(2) [Effective August 1, 2002.] The~~
4 ~~home service provider shall conduct a review of its records and the~~
5 ~~electronic database or enhanced zip code used to determine the place of~~
6 ~~primary use within sixty (60) days of receiving the notice from its customer.~~
7 ~~If it is determined that the amount of tax, charge, or fee or that the~~
8 ~~assignment of the place of primary use or taxing jurisdiction is in error,~~
9 ~~the home service provider shall correct the error and refund or credit the~~
10 ~~amount of tax, charge, or fee erroneously collected from the customer for a~~
11 ~~period of up to three (3) years. If it is determined that the amount of tax,~~
12 ~~charge, or fee or assignment of the place of primary use or taxing~~
13 ~~jurisdiction is correct, the home service provider shall provide a written~~
14 ~~explanation to the customer.~~

15 ~~(3) [Effective August 1, 2002.] A~~
16 ~~customer seeking correction of assignment of place of primary use or taxing~~
17 ~~jurisdiction or a refund or credit of taxes, charges, or fees erroneously~~
18 ~~collected by the home service provider must seek to have the error corrected~~
19 ~~pursuant to these provisions in this subdivision (3)(A)(vi)(b) before any~~
20 ~~cause of action arises as a result of the error.~~

21 ~~(vii)(a) Charges for nontaxable services that are~~
22 ~~aggregated with other charges for communications services that are taxable~~
23 ~~and are not separately stated on the bill or invoice shall not be subject to~~
24 ~~the gross receipts tax if the seller can reasonably identify the nontaxable~~
25 ~~charges on the seller's books and records kept in the regular course of~~
26 ~~business.~~

27 ~~(b) If the nontaxable charges cannot~~
28 ~~reasonably be identified, the gross receipts from the sales of both taxable~~
29 ~~and nontaxable communications services billed on a combined basis shall be~~
30 ~~attributed to the taxable communications services.~~

31 ~~(c) The burden of proving nontaxable receipts~~
32 ~~or charges shall be on the seller of the communications services;~~

33
34 SECTION 7. Arkansas Code § 26-52-303, is amended to read as follows:

35 26-52-303. Border cities or towns - Tax rate - Exemptions.

36 (a)(1) In instances where:

1 ~~(A)(1)~~ An Arkansas city or incorporated town is divided by
2 a state line from an incorporated city or town in an adjoining state;

3 ~~(B)(2)~~ The city or town in the adjoining state is of
4 greater population than the Arkansas city or town; ~~and~~

5 ~~(C)(3)~~ A tax imposed in such adjoining state is in the
6 nature of a selective sales tax or limited to specific items as a special
7 excise tax; ~~and then the rate of tax upon such articles on the Arkansas side~~
8 ~~shall be at the same rate imposed in such adjoining state not to exceed the~~
9 ~~state sales tax rate as levied by the General Assembly, initiatives enacted~~
10 ~~by the people of the State of Arkansas, and amendments to the Arkansas~~
11 ~~Constitution.~~

12 ~~(2)(4)~~ Provided that, if such The border city has voted to levy
13 an additional one percent (1%) gross receipts tax in such city in lieu of
14 paying state income taxes by individuals who are residents of said city, as
15 authorized by § 26-52-601 et seq., then in such event the rate of tax shall
16 be one percent (1%) above the state sales tax rate as levied by the General
17 Assembly, initiatives enacted by the people of the State of Arkansas, and
18 amendments to the Arkansas Constitution.

19 ~~(b)~~ ~~The exception hereunder shall not be applicable to gross receipts~~
20 ~~or gross proceeds derived from the sale of beer, wine, liquor, or any other~~
21 ~~form of intoxicating beverages in any border city or incorporated town in the~~
22 ~~State of Arkansas.~~

23 ~~(e)(b)~~ With respect to motor vehicles sold in any such city or
24 incorporated town, the exemption authorized herein shall be applicable only
25 to motor vehicles sold to and registered by bona fide residents of such
26 Arkansas city or incorporated town and shall not be applicable to motor
27 vehicles sold to nonresidents.

28 ~~(d)(1)(c)(1)~~ The director shall require any person claiming this
29 exemption to file a sworn statement in writing that the person is a resident
30 of that city or incorporated town, and such other information as the director
31 may determine is necessary to establish the residence of any such person.

32 (2) Any person filing a false statement or otherwise falsely
33 obtaining, or assisting any other person to falsely obtain, the benefits of
34 the exemption authorized in this section shall, upon conviction, be fined in
35 a sum of not less than one hundred dollars (\$100) nor more than five hundred
36 dollars (\$500).

1
2 SECTION 8. Arkansas Code § 26-52-309 is amended to read as follows:

3 26-52-309. Deduction for bad debts generally.

4 (a)(1) In computing the amount of tax due under the Arkansas Gross
5 Receipts Act, § 26-52-101 et seq., and any act supplemental thereto,
6 taxpayers may deduct bad debts from the total amount upon which the tax is
7 calculated ~~for any report~~ on the return for the period during which the bad
8 debt is written off as uncollectable in the taxpayer's books and records and
9 is eligible to be deducted for federal income tax purposes.

10 (2) Any deduction taken or refund paid which is attributed to
11 bad debts shall not include interest.

12 (b)(1)(A) For purposes of this section, "bad debt" means any portion
13 of a debt for an amount which a taxpayer has reported as taxable which the
14 taxpayer legally claims as a bad debt deduction for federal income tax
15 purposes.

16 (B) A taxpayer who is not required to file federal income
17 tax returns may deduct a bad debt on a return filed for the period in which
18 the bad debt is written off as uncollectable in the taxpayer's books and
19 records and would be eligible for a bad debt deduction for federal income tax
20 purposes if the taxpayer was required to file a federal income tax return.

21 (2) Bad debts include, but are not limited to, worthless checks,
22 worthless credit card payments, and uncollectible credit accounts.

23 (3) Bad debts do not include financing charges or interest,
24 uncollectible amounts on property that remain in the possession of the
25 taxpayer or vendor until the full purchase price is paid, expenses incurred
26 in attempting to collect any debt, debts sold or assigned to third parties
27 for collection, and repossessed property.

28 (c) Bad debts incurred for sales made prior to November 9, 1983, shall
29 not be deducted.

30 (d) Bad debts must be deducted within three (3) years of the date of
31 the sale for which the debt was incurred.

32 (e) If a deduction is taken for a bad debt and the taxpayer
33 subsequently collects the debt in whole or in part, the tax on the amount so
34 collected shall be paid and reported on the ~~next return due after the~~
35 collection return filed for the period in which the collection is made.

36 (f)(1) When the filing responsibilities have been assumed by a

1 Certified Service Provider, as provided in the Uniform Sales and Use Tax
2 Administration Act, § 26-20-101, et seq., the service provider will be
3 allowed to claim, on behalf of the taxpayer, any bad debt allowance provided
4 by this section.

5 (2) The Certified Service Provider must credit or refund the
6 full amount of any bad debt allowance or refund received to the taxpayer.

7
8 SECTION 9. Arkansas Code Title 26, Chapter 52, Subchapter 3, is
9 amended to add an additional sections to read as follows:

10 26-52-315. Telecommunications Services.

11 (a) The gross receipts or gross proceeds derived from the sale of
12 taxable telecommunications services, as provided in this section, are subject
13 to the Arkansas gross receipts tax levied by the Arkansas Gross Receipts Act
14 of 1941, as amended, § 26-52-101 et seq., and by any act supplemental
15 thereto.

16 (b) The following services are taxable telecommunications services:

17 (1) Service by telephone, telecommunications, and telegraph
18 companies to subscribers or users, including transmission of messages or
19 images, whether local or long distance;

20 (2) Taxable services shall include basic local service and
21 rental charges, including all installation and construction charges and all
22 service and rental charges having any connection with transmission of any
23 message or image; and

24 (3) Except as provided in subdivision (c) of this section,
25 taxable long distance services shall include:

26 (A) Long distance messages that originate and terminate
27 within this state;

28 (B) Interstate long distance messages that originate
29 within this state or terminate outside this state and are billed to a place
30 of primary use in this state;

31 (C) All customer access line charges associated with or
32 for access to the long distance network, except that access or other
33 telecommunication services provided to telephone, telegraph, or
34 telecommunications companies that will be used to provide telecommunications
35 services shall not be subject to this tax; and

36 (D) Long distance messages which originate and terminate

1 outside this state made by mobile telecommunications service that are charged
2 to a customer who maintains a place of primary use in this state.

3 (c) The following services shall not be taxable:

4 (1) Any interstate private communications service that is not
5 accessible by the public;

6 (2) Any interstate service that allows access to private
7 telephone lines and that is not accessible by the public;

8 (3) Any interstate wide area telecommunications service or other
9 similar service that entitles the subscriber to make or receive an unlimited
10 number of communications to or from persons having telecommunications service
11 in a specified area that is outside the state in which the station provided
12 with this service is located; or

13 (4) Any telephone or telecommunication services paid by
14 utilizing a prepaid telephone calling card or prepaid authorization number as
15 provided in § 26-52-314.

16 (d)(1)(A) The Mobile Telecommunications Sourcing Act, Pub.L. 106-252,
17 as in effect on January 1, 2001, is adopted in its entirety.

18 (B) All charges for mobile telecommunications services are
19 deemed to be provided by the customer's home service provider and sourced to
20 the customer's place of primary use and are subject to gross receipts tax
21 based upon the customer's place of primary use as determined by the Mobile
22 Telecommunications Sourcing Act, Pub.L. 106-252.

23 (2)(A)(i) Any customer who alleges that an amount of tax,
24 charge, or fee or that the assignment of the place of primary use or taxing
25 jurisdiction included on a billing is erroneous, shall notify the home
26 service provider in writing.

27 (ii) The customer must include the street address
28 for the customer's place of primary use, the account name and number for
29 which the correction of tax assignment is sought, a description of the
30 alleged error, and any other information requested by the home service
31 provider necessary to process the request.

32 (B)(i) The home service provider shall conduct a review of
33 its records and the electronic database or enhanced zip code used to
34 determine the place of primary use within sixty (60) days of receiving the
35 notice from its customer.

36 (ii) If it is determined that the amount of tax,

1 charge, or fee or that the assignment of the place of primary use or taxing
2 jurisdiction is in error, the home service provider shall correct the error
3 and refund or credit the amount of tax, charge, or fee erroneously collected
4 from the customer for a period of up to three (3) years.

5 (iii) If it is determined that the amount of tax,
6 charge, or fee or assignment of the place of primary use or taxing
7 jurisdiction is correct, the home service provider shall provide a written
8 explanation to the customer.

9 (C) A customer seeking correction of assignment of place
10 of primary use or taxing jurisdiction or a refund or credit of taxes,
11 charges, or fees erroneously collected by the home service provider must seek
12 to have the error corrected under subdivision (d)(2)(A) of this section
13 before any cause of action arises as a result of the error.

14 (3)(A) Charges for nontaxable services that are aggregated with
15 other charges for communications services that are taxable and are not
16 separately stated on the bill or invoice shall not be subject to the gross
17 receipts tax if the seller can reasonably identify the nontaxable charges on
18 the seller's books and records kept in the regular course of business.

19 (B) If the nontaxable charges cannot reasonably be
20 identified, the gross receipts from the sales of both taxable and nontaxable
21 communications services billed on a combined basis shall be attributed to the
22 taxable communications services.

23 (C) The burden of proving nontaxable receipts or charges
24 is on the seller of the communications services.

25 (e)(1) Except for the telecommunication services in subdivision
26 (e)(3), the sale of telecommunication service sold on a call-by-call basis
27 shall be sourced to:

28 (A) Each state, county, or city jurisdiction where the
29 call originates and terminates in that jurisdiction; or

30 (B) Each state, county, or city where the call either
31 originates or terminates and in which the service address is also located.

32 (2) Except for the telecommunication services in subdivision
33 (e)(3), a sale of telecommunications services sold on a basis other than a
34 call-by-call basis, is sourced to the customer's place of primary use.

35 (3) The sale of the following telecommunication services shall
36 be sourced to each state, county, or city as follows:

1 (A) A sale of mobile telecommunications services, other
2 than air-to-ground radiotelephone service and prepaid calling service, is
3 sourced to the customer's place of primary use as required by the Mobile
4 Telecommunications Sourcing Act;

5 (B) A sale of postpaid calling service is sourced to the
6 origination point of the telecommunications signal as first identified by
7 either:

8 (i) The seller's telecommunications system; or

9 (ii) Information received by the seller from its
10 service provider, where the system used to transport the signals is not that
11 of the seller;

12 (C)(i) A sale of prepaid calling service is sourced in
13 accordance with § 26-52-521(b).

14 (ii) Except for a sale of mobile telecommunications
15 service that is a prepaid telecommunications service, the rule provided in §
16 26-52-521(b)(5), shall include, as an option, the location associated with
17 the mobile telephone number; or

18 (D) A sale of a private communication service is sourced
19 as follows:

20 (i) Service for a separate charge related to a
21 customer channel termination point is sourced to each state, county, or city
22 in which the customer channel termination point is located;

23 (ii) Service where all customer termination points
24 are located entirely within one (1) jurisdiction or levels of jurisdiction is
25 sourced in the state, county, and city in which the customer channel
26 termination points are located;

27 (iii) Service for segments of a channel between two
28 (2) customer channel termination points located in different jurisdictions
29 and which segment of channel are separately charged is sourced fifty percent
30 (50%) in each state, county, and city in which the customer channel
31 termination points are located; or

32 (iv) Service for segments of a channel located in
33 more than one (1) jurisdiction or levels of jurisdiction and which segments
34 are not separately billed is sourced in each jurisdiction based on the
35 percentage determined by dividing the number of customer channel termination
36 points in the jurisdiction by the total number of customer channel

1 termination points.

2 (f) Definitions. For purposes of this section:

3 (1) "Air-to-ground radiotelephone service" means a radio
4 service, as that term is defined in 47 CFR 22.99, in which common carriers
5 are authorized to offer and provide radio telecommunications service for hire
6 to subscribers in aircraft;

7 (2) "Call-by-call basis" means any method of charging for
8 telecommunications services where the price is measured by individual calls;

9 (3) "Communications channel" means a physical or virtual path of
10 communications over which signals are transmitted between or among customer
11 channel termination points;

12 (4)(A) "Customer" means the person or entity that contracts with
13 the seller of telecommunications services.

14 (B) If the end user of telecommunications services is not
15 the contracting party, the end user of the telecommunications service is the
16 customer of the telecommunication service, but this sentence only applies for
17 the purpose of sourcing sales of telecommunications services under subsection
18 (e);

19 (C) "Customer" does not include a reseller of
20 telecommunications service or for mobile telecommunications service of a
21 serving carrier under an agreement to serve the customer outside the home
22 service provider's licensed service area;

23 (5) "Customer channel termination point" means the location
24 where the customer either inputs or receives the communications;

25 (6)(A) "End user" means the person who utilizes the
26 telecommunication service.

27 (B) In the case of an entity, "end user" means the
28 individual who utilizes the service on behalf of the entity;

29 (7) "Home service provider" means the same as that term is
30 defined in the Mobile Telecommunications Sourcing Act, Section 124(5) of
31 Public Law 106-252;

32 (8) "Mobile telecommunications service" means the same as that
33 term is defined in the Mobile Telecommunications Sourcing Act, Section 124(5)
34 of Public Law 106-252;

35 (9)(A) "Place of primary use" means the street address
36 representative of where the customer's use of the telecommunications service

1 primarily occurs, which must be the residential street address or the primary
2 business street address of the customer.

3 (B) In the case of mobile telecommunications services,
4 "place of primary use" must be within the licensed service area of the home
5 service provider;

6 (10)(A) "Post-paid calling service" means the telecommunications
7 service obtained by making a payment on a call-by-call basis either through
8 the use of a credit card or payment mechanism such as a bank card, travel
9 card, credit card, or debit card, or by charge made to which a telephone
10 number which is not associated with the origination or termination of the
11 telecommunications service.

12 (B) "Postpaid calling service" includes a
13 telecommunications service that would be a prepaid calling service except it
14 is not exclusively a telecommunication service;

15 (11) "Prepaid calling service" means the right to access
16 exclusively telecommunications services, which must be paid for in advance
17 and which enables the origination of calls using an access number or
18 authorization code, whether manually or electronically dialed, and that is
19 sold in predetermined units or dollars of which the number declines with use
20 in a known amount;

21 (12) "Private communication service" means a telecommunication
22 service that entitles the customer to exclusive or priority use of a
23 communications channel or group of channels between or among termination
24 points, regardless of the manner in which the channel or channels are
25 connected, and includes switching capacity, extension lines, stations, and
26 any other associated services that are provided in connection with the use of
27 the channel or channels; and

28 (13) "Service address" means:

29 (A) The location of the telecommunications equipment to
30 which a customer's call is charged and from which the call originates or
31 terminates, regardless of where the call is billed or paid;

32 (B) If the location in subdivision (f)(13)(A) is not
33 known, service address means the origination point of the signal of the
34 telecommunications services first identified by either the seller's
35 telecommunications system or in information received by the seller from its
36 service provider, where the system used to transport the signals is not that

1 of the seller; or

2 (C) If the location in subdivision (f)(13)(A) and
3 subdivision (f)(13)(B) are not known, the service address means the location
4 of the customer's place of primary use.

5
6 SECTION 10. Arkansas Code § 26-52-508(d)(3), regarding the collection
7 of tax by sellers or admissions collectors, is repealed.

8 ~~(3) The director may, in the alternative and at his discretion,~~
9 ~~set up by regulation a bracket system of collecting the tax due hereunder.~~

10
11 SECTION 11. Arkansas Code Title 26, Chapter 52, Subchapter 5 is
12 amended to add additional sections to read as follows:

13 26-52-521. Sourcing of Sales.

14 (a)(1) This section applies for purposes of determining a seller's
15 obligation to pay or collect and remit a sales or use tax with respect to the
16 seller's retail sale of a product or service.

17 (2) This section does not affect the obligation of a purchaser
18 or lessee to remit tax on the use of the product or service to the taxing
19 jurisdictions of that use and does not apply to the sales or use taxes levied
20 on the retail sale, excluding lease or rental, of motor vehicles, trailers,
21 or semitrailers, that require licensing.

22 (b) The retail sale, excluding lease or rental, of a product or
23 service shall be sourced as follows:

24 (1) If the product or service is received by the purchaser at a
25 business location of the seller, the sale is sourced to that business
26 location;

27 (2) If the product or service is not received by the purchaser
28 at a business location of the seller, the sale is sourced to the location
29 where receipt by the purchaser, or the purchaser's designated donee, occurs,
30 including the location indicated by instructions for delivery to the
31 purchaser, or donee, known to the seller;

32 (3) If subsections (b)(1) and (b)(2) of this section do not
33 apply, the sale is sourced to the location indicated by an address for the
34 purchaser that is available from the business records of the seller that are
35 maintained in the ordinary course of the seller's business when use of this
36 address does not constitute bad faith;

1 (4) If subsections (b)(1), (b)(2), and (b)(3) of this section do
2 not apply, the sale is sourced to the location indicated by an address for
3 the purchaser obtained during the consummation of the sale, including the
4 address of a purchaser's payment instrument, if no other address is
5 available, when use of this address does not constitute bad faith; or

6 (5) If none of the previous rules of subsections (b)(1), (b)(2),
7 (b)(3), or (b)(4) of this section apply, including the circumstance in which
8 the seller is without sufficient information to apply the previous rules,
9 then the location will be determined by the address from which tangible
10 personal property was shipped or from which the service was provided,
11 disregarding for these purposes any location that merely provided the digital
12 transfer of the product sold.

13 (c) The lease or rental of tangible personal property, other than
14 property identified in subsection (d) or subsection (e) of this section,
15 shall be sourced as follows:

16 (1)(A) For a lease or rental that requires recurring periodic
17 payments, the first periodic payment is sourced the same as a retail sale in
18 accordance with the provisions of subsection (b) of this section.

19 (B) Periodic payments made after the first payment are
20 sourced to the primary property location for each period covered by the
21 payment.

22 (C) The primary property location shall be as indicated by
23 an address for the property provided by the lessee that is available to the
24 lessor from its records maintained in the ordinary course of business, if use
25 of this address does not constitute bad faith.

26 (D) The property location shall not be altered by
27 intermittent use at different locations, such as use of business property
28 that accompanies employees on business trips and service calls;

29 (2) For a lease or rental that does not require recurring
30 periodic payments, the payment is sourced the same as a retail sale in
31 accordance with the provisions of subsection (b) of this section; and

32 (3) This subsection (c) does not affect the imposition or
33 computation of sales or use tax on leases or rentals based on a lump sum or
34 accelerated basis, or on the acquisition of property for lease.

35 (d) The lease or rental of motor vehicles, trailers, semitrailers, or
36 aircraft that do not qualify as transportation equipment, as defined in

1 subsection (e) of this section, shall be sourced as follows:

2 (1)(A) For a lease or rental that requires recurring periodic
3 payments, each periodic payment is sourced to the primary property location.

4 (B) The primary property location shall be as indicated by
5 an address for the property provided by the lessee that is available to the
6 lessor from its records maintained in the ordinary course of business, when
7 use of this address does not constitute bad faith.

8 (C) This location shall not be altered by intermittent use
9 at different locations;

10 (2) For a lease or rental that does not require recurring
11 periodic payments, the payment is sourced the same as a retail sale in
12 accordance with the provisions of subsection (b) of this section; and

13 (3) This subsection does not affect the imposition or
14 computation of sales or use tax on leases or rentals based on a lump sum or
15 accelerated basis, or on the acquisition of property for lease.

16 (e)(1) The retail sale, including lease or rental, of transportation
17 equipment shall be sourced the same as a retail sale in accordance with the
18 provisions of subsection (b) of this section, notwithstanding the exclusion
19 of lease or rental in subsection (b) of this section.

20 (2) "Transportation equipment" means any of the following:

21 (A) Locomotives and railcars that are utilized for the
22 carriage of persons or property in interstate commerce;

23 (B) Trucks and truck tractors with a Gross Vehicle Weight
24 Rating of ten thousand one (10,001) pounds or greater, trailers,
25 semitrailers, or passenger buses that are:

26 (i) Registered through the International
27 Registration Plan; and

28 (ii) Operated under authority of a carrier
29 authorized and certificated by the United States Department of Transportation
30 or another federal authority to engage in the carriage of persons or property
31 in interstate commerce;

32 (C) Aircraft that are operated by air carriers authorized
33 and certificated by the United States Department of Transportation or another
34 federal or a foreign authority to engage in the carriage of persons or
35 property in interstate or foreign commerce; or

36 (D) Containers designed for use on and component parts

1 attached or secured on the items under subdivisions (e)(1) through (e)(3) of
2 this section.

3 (f) For the purpose of subsection (b) of this section:

4 (1) "Receive" and "receipt" mean:

5 (A) Taking possession of tangible personal property; or

6 (B) Making first use of services; and

7 (2) "Receive" and "receipt" do not include possession by a
8 shipping company on behalf of the purchaser.

9 (g) When a motor vehicle, trailer, or semitrailer, that requires
10 licensing, is sold to a person who resides in Arkansas, the sale is sourced
11 to the residence of the purchaser.

12 (h) This section shall apply to all state and local taxes administered
13 by this department.

14
15 26-52-522. Direct Mail Sourcing.

16 (a)(1) Notwithstanding § 26-52-521, a purchaser of direct mail that is
17 not a holder of a direct pay permit shall provide to the seller in
18 conjunction with the purchase either a direct mail form or information to
19 show the state and local jurisdictions to which the direct mail is delivered
20 to recipients.

21 (2)(A) Upon receipt of the direct mail form, the seller is
22 relieved of all obligations to collect, pay, or remit the applicable tax and
23 the purchaser is obligated to pay or remit the applicable tax on a direct pay
24 basis.

25 (B) A direct mail form shall remain in effect for all
26 future sales of direct mail by the seller to the purchaser until it is
27 revoked in writing.

28 (3)(A) Upon receipt of information from the purchaser showing
29 the jurisdictions to which the direct mail is delivered to recipients, the
30 seller shall collect the tax according to the delivery information provided
31 by the purchaser.

32 (B) In the absence of bad faith, the seller is relieved of
33 any further obligation to collect tax on any transaction where the seller has
34 collected tax pursuant to the delivery information provided by the purchaser.

35 (b)(1) If the purchaser of direct mail does not have a direct pay
36 permit and does not provide the seller with either a direct mail form or

1 delivery information, as required by subsection (a) of this section, the
 2 seller shall collect the tax according to § 26-52-521(b)(5).

3 (2) Nothing in this subsection shall limit a purchaser's
 4 obligation for sales or use tax to any state to which the direct mail is
 5 delivered.

6 (c) If a purchaser of direct mail provides the seller with
 7 documentation of direct pay authority, the purchaser shall not be required to
 8 provide a direct mail form or delivery information to the seller.

9 (d) The direct mail form must:

10 (1) Contain the purchaser's name and sales tax permit number;

11 (2) State that the purchaser will be remitting sales and use tax
 12 to the state; and

13 (3) Contain any additional information that the director may
 14 require.

15
 16 SECTION 12. Arkansas Code § 26-53-102 is amended as follows:

17 26-53-102. Definitions.

18 As used in this subchapter, unless the context otherwise requires:

19 (1)(A) "Sales price" means the consideration paid or given, or
 20 contracted to be paid or given, by the purchaser to the vendor for taxable
 21 services or the article of the tangible personal property including any
 22 services that are a part of the sale valued in money, whether paid in money
 23 or otherwise, and includes any amount for which credit is given to the
 24 purchaser by the vendor without any deduction therefrom on account of the
 25 cost of the property sold, the cost of materials used, labor or service cost,
 26 interest charged, losses, or any other expenses whatsoever; provided that
 27 cash discounts, including cash, term, or coupons that are not reimbursed by a
 28 third party, allowed and taken on sales shall not be included.

29 (B) "Sales price" shall not include:

30 (i) If separately stated, any interest, financing,
 31 or carrying charges from credit extended on the sale or any taxes legally
 32 imposed directly on the consumer that are separately stated on the invoice,
 33 bill of sale, or similar document given to the purchaser; or

34 (ii) ~~the~~ The amount charged for property returned by
 35 customers upon rescission of the contract of sales when the entire amount
 36 charged therefor is refunded either in cash or credit, or the amount charged

1 for labor or services rendered in installing or applying the property sold,
2 the use, storage, distribution, or consumption of which is taxable under this
3 subchapter.

4 (C) The term "sales price" shall include, in addition to
5 the consideration paid or given or contracted to be paid or given, the amount
6 of any tariff or duty paid with respect to the importation of the taxable
7 service or article stored, used, distributed, or consumed in this state;

8 (2) "Storage" means and includes any keeping or retention in
9 this state of tangible personal property or taxable services purchased from a
10 vendor for any purpose, except sale or subsequent use solely outside this
11 state;

12 (3)(A) "Use", with respect to tangible personal property, means
13 and includes the exercise of any right or power over tangible personal
14 property incident to the ownership or control of that property, except that
15 it shall not include the sale of that property in the regular course of
16 business; and

17 (B) "Use", with respect to a taxable service, means and
18 includes the privilege of using the service, enjoyment of the service, or the
19 first act within this state by which the purchaser takes or assumes dominion
20 or control over the service or the article of tangible personal property upon
21 which the service was performed.

22 (4)(A) "Vendor" means and includes every person engaged in
23 making sales of tangible personal property or taxable services by mail order,
24 by advertising, by agent; or by peddling tangible personal property or
25 taxable services, soliciting, or taking orders for sales of same for storage,
26 use, distribution, or consumption in this state; and includes all salesmen,
27 solicitors, hawkers, representatives, consignees, peddlers, or canvassers as
28 agents of the dealers, distributors, consignors, supervisors, principals, or
29 employers under whom they operate or from whom they obtain the tangible
30 personal property or taxable services sold by them.

31 (B) Irrespective of whether persons are making sales on
32 their own behalf or on behalf of dealers, distributors, consignors,
33 supervisors, principals, or employers, they must be regarded as vendors; and
34 the dealers, distributors, consignors, supervisors, principals, or employers
35 must be regarded as vendors for purposes of this subchapter;

36 (5)(A) "Purchase" means the sale of tangible personal property

1 or taxable services by a vendor to a person for the purpose of storage, use,
2 distribution, or consumption in this state.

3 (B) Furthermore, for purposes of this subchapter, the term
4 "purchase" also includes any withdrawal of tangible person property from a
5 stock or reserve maintained outside of the state by any person and
6 subsequently brought into this state and thereafter stored, consumed,
7 distributed, or used by that person or by any other person, and, in such
8 event, the tax shall be computed on the value of the tangible personal
9 property at the time it is brought into this state.

10 (C) No tax shall be computed to the extent that a
11 withdrawal consists of carbonaceous materials such as petroleum coke or
12 carbon anodes which are to be directly used or consumed in the electrolytic
13 reduction process of producing tangible personal property for ultimate sale
14 at retail.

15 (6)(A) "Sale" means any transfer, barter, or exchange of the
16 title or ownership of tangible personal property or taxable services, or the
17 right to use, store, distribute, or consume the same for a consideration paid
18 or to be paid, in installments or otherwise, and includes any transaction
19 whether called leases, rentals, bailments, loans, conditional sales, or
20 otherwise, notwithstanding that the title or possession of said property, or
21 both, is retained for security.

22 (B) For the purpose of this subchapter, ~~the place of~~
23 ~~delivery of tangible personal property to the purchaser, user, storer, or~~
24 ~~consumer shall be deemed to be the place of sale, whether such delivery is~~
25 ~~made by the vendor or by common carriers, private contractors, mails,~~
26 ~~express, agents, salesmen, solicitors, hawkers, representatives, consignees,~~
27 ~~peddlers, canvassers, or otherwise~~ the sale of tangible personal property or
28 taxable services shall be sourced according to §§ 26-52-521, 26-52-522, and
29 26-52-523;

30 (7) "Purchaser" means and includes any person who is the
31 recipient of any sale of tangible personal property or taxable services for a
32 valuable consideration acquired for use, storage, distribution, or
33 consumption in this state;

34 (8)(A) "Person" includes any individual, company, partnership,
35 limited liability company, joint venture, joint agreement, association,
36 mutual or otherwise, corporation, estate, trust, business trust, fiduciary,

1 receiver or trustee appointed by any state or federal court or otherwise,
 2 syndicate, this state, any county, city, municipality, school district, or
 3 any other political subdivision of the state, or group or combination acting
 4 as a unit, or any other legal entity.

5 (B) It is the purpose and intent of the General Assembly
 6 in passing this subsection to provide the same definition for the word
 7 "person" in this subchapter as that word is defined in the Arkansas Gross
 8 Receipts Act, § 26-52-101 et seq. and the exclusion of any wording formerly
 9 appearing in the definition of the word "person" in this subchapter shall by
 10 no means be construed by the courts, or by administrative officials, as an
 11 intention of the General Assembly to grant any additional exclusion or
 12 exemption from the provisions of this subchapter;

13 (9) "Taxpayer" means any person remitting the tax or who should
 14 remit the tax or should have remitted the tax levied by this subchapter;

15 (10) "Director" means the Director of the Department of Finance
 16 and Administration;

17 (11)(A) "Tangible personal property" means personal property
 18 which may be seen, weighed, measured, felt, touched, or is in any other
 19 manner perceptible to the senses~~;~~.

20 (B) "Tangible personal property" includes electricity,
 21 water, gas, steam, and prewritten computer software;

22 (12) "In this state" or "in the state" or "within this state"
 23 means within the exterior limits of the State of Arkansas and includes all
 24 territory within those limits owned by or ceded to the United States of
 25 America~~;~~ and

26 (13) "Taxable service" means a service that is taxable under the
 27 Arkansas Compensating Tax Act, § 26-53-101 et seq., or the Arkansas Gross
 28 Receipts Act, § 26-52-101 et seq.

29
 30 SECTION 13. Arkansas Code § 26-53-106(a), regarding the imposition and
 31 rate of tax generally, is amended as follows:

32 (a) There is levied and there shall be collected from every person in
 33 this state a tax or excise for the privilege of storing, using, distributing,
 34 or consuming within this state any article of tangible personal property or
 35 taxable service purchased for storage, use, distribution, or consumption in
 36 this state at the rate of three percent (3%) of the sales price of the

1 property.

2
3 SECTION 14. Arkansas Code § 26-53-106(c), regarding the imposition and
4 rate of tax generally, is amended as follows:

5 (c) This tax shall apply to use, storage, distribution, or consumption
6 of every article of tangible personal property or taxable service, except as
7 provided in this subchapter, irrespective of whether the article or similar
8 articles are manufactured within the State of Arkansas or are available for
9 purchase within the State of Arkansas and irrespective of any other
10 condition.

11
12 SECTION 15. Arkansas Code § 26-53-106(d)(1)(A), regarding the
13 imposition and rate of tax generally, is amended as follows:

14 (d)(1)(A) For the purpose of the proper administration of this
15 subchapter and to prevent evasion of the tax and the duty to collect the tax
16 imposed in this section, it shall be presumed that tangible personal property
17 or taxable services sold by any vendor for delivery in this state or
18 transportation to this state is sold for storage, use, distribution, or
19 consumption in this state unless the vendor selling the tangible personal
20 property or taxable service has taken from the purchaser a resale certificate
21 signed by and bearing the name, address, and sales tax permit number of the
22 purchaser certifying that the property or taxable service was purchased for
23 resale except that sales made electronically will not require the purchaser's
24 signature.

25
26 SECTION 16. Arkansas Code § 26-53-106(d)(2), regarding the imposition
27 and rate of tax generally, is amended as follows:

28 (2) It is further presumed that tangible personal property or
29 taxable services shipped, mailed, expressed, transported, or brought to this
30 state by the purchaser was purchased from a vendor for storage, use,
31 distribution, or consumption in this state.

32
33 SECTION 17. Arkansas Code § 26-53-107 is amended as follows:

34 26-53-107. Additional taxes levied.

35 (a) In addition to the excise tax levied upon the privilege of
36 storing, using, distributing, or consuming tangible personal property and

1 taxable services within this state by the Arkansas Compensating Tax Act, §
2 26-53-101 et seq., there is levied an excise tax of one percent (1%) upon all
3 tangible personal property and taxable services subject to the tax levied in
4 that act, and the tax shall be collected, reported, and paid in the same
5 manner and at the same time as is prescribed by law for the collection,
6 reporting, and payment of state compensating taxes.

7 (b) In addition to the excise tax levied upon the privilege of
8 storing, using, distributing, or consuming tangible personal property and
9 taxable services within the state by the Arkansas Compensating Tax Act, § 26-
10 53-101 et seq., there is hereby levied an excise tax of one-half of one
11 percent (0.5%) upon all tangible personal property and taxable services
12 subject to the tax levied in that act, and such tax shall be collected,
13 reported, and paid in the same manner and at the same time as is prescribed
14 by law for the collection, reporting, and payment of Arkansas compensating
15 taxes.

16 (c)(1) Beginning January 1, 2001, there is hereby levied an additional
17 excise tax of one-half of one percent (0.5%) upon all tangible personal
18 property and taxable services subject to the tax levied by the Arkansas
19 Compensating Tax Act of 1949, § 26-53-101 et seq.

20 (2) The tax shall be collected, reported, and paid in the same
21 manner and at the same time as is prescribed by the Arkansas Compensating Tax
22 Act of 1949, § 26-53-101 et seq., for the collection, reporting, and payment
23 of Arkansas compensating taxes.

24
25 SECTION 18. Arkansas Code § 26-53-111(a), regarding the deduction for
26 bad debts, is amended as follows:

27 (a)(1) In computing the amount of tax due under the Arkansas
28 Compensating Tax Act, § 26-53-101 et seq., and any act supplemental thereto,
29 taxpayers may deduct bad debts from the total amount upon which the tax is
30 calculated ~~for any report~~ on the return for the period during which the bad
31 debt is written off as uncollectable in the taxpayer's books and records and
32 is eligible to be deducted for federal income tax purposes.

33 (2) Any deduction taken or refund paid which is attributed to
34 bad debts shall not include interest.

35
36 SECTION 19. Arkansas Code § 26-53-111(b)(1), regarding the deduction

1 for bad debts, is amended as follows:

2 (b)(1)(A) For purposes of this section, "bad debt" means any portion
3 of a debt for an amount which a taxpayer has reported as taxable which the
4 taxpayer legally claims as a bad debt deduction for federal income tax
5 purposes.

6 (B) A taxpayer who is not required to file federal income
7 tax returns may deduct a bad debt on a return filed for the period in which
8 the bad debt is written off as uncollectable in the taxpayer's books and
9 records and would be eligible for a bad debt deduction for federal income tax
10 purposes if the taxpayer was required to file a federal income tax return.

11

12 SECTION 20. Arkansas Code § 26-53-111(e), regarding the deduction for
13 bad debts, is amended as follows:

14 (e) If a deduction is taken for a bad debt and the taxpayer
15 subsequently collects the debt in whole or in part, then the tax on the
16 amount so collected shall be paid and reported on the ~~next return due after~~
17 ~~the collection~~ return filed for the period in which the collection is made.

18

19 SECTION 21. Arkansas Code § 26-53-111, regarding the deduction for bad
20 debts, is amended to add an additional subsection to read as follows:

21 (f)(1) When the filing responsibilities have been assumed by a
22 certified service provider, as provided in the Uniform Sales and Use Tax
23 Administration Act, § 26-20-101, et seq., the service provider will be
24 allowed to claim, on behalf of the taxpayer, any bad debt allowance provided
25 by this section.

26 (2) The certified service provider must credit or refund the
27 full amount of any bad debt allowance or refund received to the taxpayer.

28

29 SECTION 22. Arkansas Code § 26-53-112 is amended as follows:

30 26-53-112. Exemptions generally.

31 There is specifically exempted from the taxes levied in this
32 subchapter:

33 (1) Property or services, the storage, use, distribution, or
34 consumption of which this state is prohibited from taxing under the
35 Constitution or laws of the United States of America or of this state;

36 (2) Sales of tangible personal property or services on which the

1 tax under the Arkansas Gross Receipts Act, § 26-52-101 et seq., is levied,
2 and any tangible personal property or services specifically exempted from
3 taxation by the Arkansas Gross Receipts Act, § 26-52-101 et seq., and
4 legislation enacted subsequent thereto.

5
6 SECTION 23. Arkansas Code § 26-53-121(a), regarding registration of
7 vendors, is amended as follows:

8 (a) Every vendor selling tangible personal property or taxable
9 services for storage, use, distribution, or consumption in this state shall
10 register with the director and give the names and addresses of all agents
11 operating in this state, the location of any and all distribution or sales
12 houses or offices of other places of business in this state, and such other
13 information as the director may require.

14
15 SECTION 24. Arkansas Code § 26-53-122 is amended as follows:

16 26-53-122. Agents furnished statements of compliance.

17 Every vendor selling tangible personal property or taxable services for
18 storage, use, distribution, or consumption in this state shall furnish all
19 agents with a statement to the effect that his or her principal has been and
20 is complying with the provisions of this subchapter.

21
22 SECTION 25. Arkansas Code § 26-53-123 is amended as follows:

23 26-53-123. Liability for tax.

24 (a) Every person storing, using, distributing, or consuming in this
25 state tangible personal property or taxable services purchased from a vendor
26 shall be liable for the tax imposed by this subchapter, and the liability
27 shall not be extinguished until the tax has been paid to this state.

28 (b) However, a receipt, from a vendor authorized by the director under
29 such rules and regulations as he or she may prescribe to collect the tax
30 imposed, given to the purchaser in accordance with the provisions of §§ 26-
31 53-121 and 26-53-122, shall be sufficient to relieve the purchaser from
32 further liability for the tax to which the receipt may refer.

33
34 SECTION 26. Arkansas Code § 26-53-124(a), regarding collection of tax
35 by vendors, is amended as follows:

36 (a)(1)(A) Every vendor making a sale of tangible personal property or

1 taxable services directly or indirectly for the purpose of storage, use,
2 distribution, or consumption in this state shall collect the tax from the
3 purchaser and give a receipt therefor.

4 (B) This provision includes all out-of-state vendors who
5 deliver merchandise and taxable services into Arkansas in their own
6 conveyance where such merchandise or services will be stored, used,
7 distributed, or consumed within this state.

8 (C) The sale of tangible personal property or taxable
9 services will be sourced according to §§ 26-52-521, 26-52-522, and 26-52-523.

10 (2) The required amount of the tax collected by the vendor from
11 the purchaser shall be displayed separately upon the check, sales slip, bill,
12 receipt, or other evidence of sale.

13
14 SECTION 27. Arkansas Code § 26-53-125(a)(2), regarding the return and
15 payment of tax, is amended as follows:

16 (2) Every vendor selling tangible personal property or taxable
17 services for storage, use, distribution, or consumption in this state shall
18 on or before the twentieth day of each month file with the director a return
19 for the preceding monthly period in such form as may be prescribed by the
20 director, showing the total combined sales price of all tangible personal
21 property or taxable services sold by the vendor during the preceding monthly
22 period, the storage, use, distribution, or consumption of which is subject to
23 the tax levied by this subchapter, and such other information as the director
24 may deem necessary for the proper administration of this subchapter.

25
26 SECTION 28. Arkansas Code § 26-53-125(a)(4), regarding the return and
27 payment of tax, is amended as follows:

28 (4)(A) Returns shall be signed by the vendor or his or her duly
29 authorized agent but need not be verified by oath.

30 (B) Returns filed electronically will not need to be
31 signed.

32
33 SECTION 29. Arkansas Code § 26-53-125(b), regarding the return and
34 payment of tax, is amended as follows:

35 (b)(1) Every person purchasing tangible personal property or services,
36 the storage, use, distribution, or consumption of which is subject to the tax

1 levied by this subchapter, and who has not paid the tax due with respect
2 thereto to a vendor, registered in accordance with the provisions of §§ 26-
3 53-121 and 26-53-122, shall on or before the twentieth day of each month file
4 with the director a return for the preceding monthly period in such form as
5 may be prescribed by the director showing the total sales price of the
6 tangible personal property or taxable services purchased during such
7 preceding monthly period and such other information as the director may deem
8 necessary for the proper administration of this subchapter.

9 (2) The return shall be accompanied by a remittance of the
10 amount of the tax herein required to be paid by the person purchasing the
11 tangible personal property or taxable services during the period covered by
12 the return.

13 (3)(A) Returns shall be signed by the person liable for the tax
14 or his or her authorized agent but need not be verified by oath.

15 (B) Returns filed electronically will not need to be
16 signed.

17
18 SECTION 30. Arkansas Code § 26-53-125, regarding the return and
19 payment of tax, *is amended to add additional subsections to read as follows:*

20 (c) Vendors that do not have a legal requirement to register under the
21 Arkansas Gross Receipts Act, § 26-52-101 et seq., or the Arkansas
22 Compensating Tax Act, § 26-53-101 et seq., and are not using a certified
23 service provider or a certified automated system, as defined under the
24 Uniform Sales and Use Tax Administration Act, § 26-20-101, et seq., shall
25 submit sales and use tax returns as follows:

26 (1) Upon registration, the director shall provide the vendor the
27 required Arkansas returns;

28 (2) The vendor shall file a return anytime within one (1) year
29 of the month of initial registration, and future returns may be required on
30 an annual basis in succeeding years; and

31 (3) In addition to the returns required in subsection (c)(2),
32 the vendor may be required to submit returns in the month following any month
33 in which they have accumulated state and local tax funds in the total amount
34 of one thousand dollars (\$1,000) or more.

35 (d) Any report or remittance required under this section, the due date
36 of which falls on a Saturday, Sunday, or legal holiday, the report or

1 remittance shall be postmarked or transmitted on the next succeeding business
2 day which is not a Saturday, Sunday, or legal holiday.

3
4 SECTION 31. Arkansas Code § 26-53-131(a), regarding credit for tax
5 paid in another state, is amended as follows:

6 (a)(1)(A) The provisions of the Arkansas Compensating Tax Act, § 26-
7 53-101 et seq., shall not apply to any tangible personal property or taxable
8 services used, consumed, distributed, or stored in this state upon which a
9 like tax, equal to or greater than the tax imposed by the Arkansas
10 Compensating Tax Act, has been paid in another state. Proof of payment of
11 such tax shall be made according to the rules and regulations promulgated by
12 the Director of the Department of Finance and Administration.

13 (B) If the amount of tax paid in another state is less
14 than the amount of Arkansas compensating tax imposed on the property or
15 services by § 26-53-101 et seq., then the taxpayer shall pay to the director
16 an amount of Arkansas compensating tax sufficient to make the combined amount
17 of tax paid in the other state and this state equal to the total amount of
18 Arkansas compensating tax which would be due if no tax had been paid to any
19 other state on the property or services.

20 (2) No credit shall be given under this section for taxes paid
21 on such property or services in another state if that state does not grant
22 credit for taxes paid on similar tangible personal property or services in
23 this state.

24
25 SECTION 32. Arkansas Code § 26-53-301 is amended as follows:

26 26-53-301. Authorization to enter.

27 (a) The Director of the Department of Finance and Administration, when
28 in his or her judgment it is necessary in order to secure the collection of
29 any tax, penalties, or interests due or to become due under this subchapter,
30 is authorized to negotiate agreements with the tax departments of other
31 states in respect to the collecting, reporting, payment, and enforcement of
32 tax on sales of tangible personal property or taxable services to residents
33 of Arkansas by a retailer maintaining a place of business in the other state.

34 (b) In consideration of such an agreement, the director is authorized
35 to make similar agreements for the collecting, reporting, payment, and
36 enforcement of tax as imposed by the other states on sales of tangible

1 personal property or taxable services to residents of other states by
2 retailers maintaining a place of business in Arkansas.

3
4 SECTION 33. Effective January 1, 2006, Arkansas Code § 26-73-301 is
5 amended to read as follows:

6 Any municipal or county sales or use tax levied pursuant to the laws of
7 this state shall be levied and collected only on the first two thousand five
8 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price
9 ~~from a single transaction~~ on the sale of motor vehicles, aircraft,
10 watercraft, modular homes, manufactured homes, and mobile homes. This
11 provision shall apply to all municipal and county sales and use taxes
12 heretofore or hereafter adopted and shall be in addition to and not in lieu
13 of any other limitations imposed by law.

14
15 SECTION 34. Arkansas Code § 26-74-209(d), regarding effective date of
16 rate change, is amended as follows:

17 (d)(1) The county court shall notify the director of the countywide
18 tax after publication of the proclamation has occurred and ninety (90) days
19 before the effective date of the tax.

20 ~~(d)(2)~~ If no election challenge is timely filed, the countywide
21 tax shall be levied, effective on the first day of the first month of the
22 calendar quarter after a minimum of sixty (60) days' notice by the director
23 to sellers and subsequent to after the expiration of the thirty-day challenge
24 period, on the gross receipts from the sale at retail within the county of
25 all items and services which are subject to the Arkansas Gross Receipts Act
26 of 1941, § 26-52-101 et seq., and, in every county where the local sales and
27 use tax has been adopted pursuant to the provisions of this subchapter, there
28 is imposed an excise tax on the storage, use, distribution, or consumption
29 within the county of tangible personal property or services purchased,
30 leased, or rented from any retailer outside the state after the effective
31 date of the sales and use tax for storage, use, distribution, or other
32 consumption in the county at the same rate on the sale price of the property
33 or, in the case of leases or rentals, on the lease or rental price, the rate
34 of the use tax to correspond to the rate of the sales tax portion of the tax.

35 (3) The use tax portion of the local sales and use tax shall be
36 collected according to the terms of the Arkansas Compensating Tax Act of

1 1949, § 26-53-101 et seq.

2
3 SECTION 35. Arkansas Code § 26-74-211 is amended as follows:

4 26-74-211. Notification of results.

5 (a) Within ten (10) days after the certification of the votes of any
6 election resulting in the adoption or abolition of a tax levied pursuant to
7 this subchapter, and ninety (90) days before its effective date, the county
8 court shall notify the director of such results and furnish the director with
9 a map clearly indicating the boundaries of the county and the boundaries of
10 each incorporated area within the county.

11 (b) Rate changes will be effective only on the first day of a calendar
12 quarter after a minimum of sixty (60) days' notice by the director to
13 sellers.

14 (c) Rate changes on purchases from printed catalogs in which the
15 purchaser computed the tax based upon local tax rates published in the
16 catalog will be applicable on the first day of a calendar quarter after a
17 minimum of one hundred twenty (120) days' notice by the director to the
18 sellers.

19 (d) For sales and use tax purposes only, local boundary changes will
20 only become effective on the first day of a calendar quarter after a minimum
21 of sixty (60) days' notice by the director to sellers.

22
23 SECTION 36. Arkansas Code § 26-74-212 is amended as follows:

24 26-74-212. Applicability of tax.

25 ~~(a)(1) A county sales tax levied pursuant to the authority granted in~~
26 ~~under this subchapter or in § 26-74-301 et seq. shall be applicable to sales~~
27 ~~of items and services sold by a business located in the levying county to a~~
28 ~~resident or nonresident of the levying county but shall not be applicable to~~
29 ~~the sale of motor vehicles to nonresidents of the county; provided, however,~~
30 ~~the tax shall not be applicable to the sale of items and services sold to a~~
31 ~~nonresident of the levying county if the sale is made for delivery to an~~
32 ~~address which is in a city or county that does not impose a city or county~~
33 ~~sales tax, and the sale is of an item that is primarily sold through meter~~
34 ~~and by route delivery, if the sale is documented by a sales invoice~~
35 ~~indicating that the sale was made for delivery, and that delivery was~~
36 ~~actually made to the person at the place noted thereon located outside a~~

1 ~~county or city in which a sales tax is levied and the tax shall be~~
 2 ~~administered under the Arkansas Gross Receipts Act of 1941, § 26-52-101, et~~
 3 ~~seq., and the Arkansas Compensating Tax Act of 1949, § 26-53-101, et seq.~~

4 ~~(2) When a motor vehicle is sold to a person who resides in~~
 5 ~~Arkansas but outside the county where the sale was made, and the city and/or~~
 6 ~~county of residence of the purchaser levies a sales and use tax, a use tax~~
 7 ~~shall be collected at the rate levied in the city and/or county of residence~~
 8 ~~of the purchaser, and in that event the tax shall be transmitted to the city~~
 9 ~~and/or county of residence.~~

10 ~~(b) The tax shall not be applicable to the sale of the following~~
 11 ~~items, if the sale is made to a nonresident of the levying county and the~~
 12 ~~sales invoice indicates that the sale was made for delivery to, and delivery~~
 13 ~~was actually made to, an address which is located in a city or county that~~
 14 ~~does not impose a city or county sales tax:~~

15 ~~(1) Aviation fuel;~~

16 ~~(2) Distillate special fuel used for agricultural purposes;~~

17 ~~(3) Agricultural machinery, parts, repairs, and supplies~~

18 ~~therefor;~~

19 ~~(4) Water wells and water well supplies;~~

20 ~~(5) Agricultural feed, seed, and fertilizer; and~~

21 ~~(6) Agricultural chemicals.~~

22 ~~(e)(b) When a direct pay permit holder purchases tangible personal~~
 23 ~~property or taxable services either from an Arkansas or out of state vendor~~
 24 ~~for use, storage, consumption or distribution in Arkansas, the permit holder~~
 25 ~~shall accrue and remit the county sales or use tax, if any, of the county~~
 26 ~~where the property or services ~~is~~ are first used, stored, consumed, or~~
 27 ~~distributed. When a direct pay permit holder purchases taxable services, the~~
 28 ~~permit holder shall accrue and remit the sales tax, if any, of the county~~
 29 ~~where the services are performed.~~

30
 31 SECTION 37. *Effective January 1, 2006, Arkansas Code § 26-74-213 is*
 32 *amended as follows:*

33 26-74-213. Rebates.

34 (a) A county shall provide in its ordinance authorized by this
 35 subchapter a rebate from the county for taxes collected pursuant to this
 36 subchapter in excess of the tax on the first two thousand five hundred

1 dollars (\$2,500) of gross receipts, gross proceeds, or sales price ~~from a~~
 2 ~~single transaction~~ on the sale of motor vehicles, aircraft, watercraft,
 3 modular homes, manufactured homes, or mobile homes.

4 (b)(1) Where a rebate would be due pursuant to the provisions of this
 5 subchapter as a result of the purchase of a new or used motor vehicle and
 6 where the tax thereon is collected directly from the purchaser pursuant to
 7 the provisions of § 26-52-510, then the director shall collect only the
 8 amount of tax due less the amount to which the purchaser would be entitled
 9 under the rebate provisions of this subchapter.

10 (2) Where the rebate is credited against tax paid as set out in
 11 this subsection, then no other rebate of the tax shall be given.

12 (c) In counties which prior to December 1, 1981, have adopted a county
 13 sales tax pursuant to § 26-74-301 et seq., the quorum court may, by
 14 ordinance, provide for a rebate of any county sales and use taxes collected
 15 in excess of a specified amount ~~on any single transaction~~ on the sale of
 16 motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or
 17 mobile homes.

18
 19 SECTION 38. *Effective January 1, 2006, Arkansas Code § 26-74-220 is*
 20 *amended as follows:*

21 26-74-220. Maximum tax limitation.

22 (a)~~(1)~~ Any county general sales or use tax levied pursuant to this
 23 subchapter shall be levied and collected only on the first two thousand five
 24 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price
 25 ~~from a single transaction,~~ on the sale of motor vehicles, aircraft,
 26 watercraft, modular homes, manufactured homes, or mobile homes, and vendors
 27 shall be responsible for collecting and remitting the tax only on the first
 28 two thousand five hundred dollars (\$2,500) of gross receipts, gross proceeds,
 29 or sales price ~~from a single transaction~~ on the sale of motor vehicles,
 30 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

31 ~~(2)(A)~~(b)(1) Each vendor who is liable for one (1) or more
 32 county sales or use taxes shall report a combined county sales tax and a
 33 combined county use tax on his or her sales and use tax report.

34 ~~(B)~~(2) The combined county sales tax is equal to the sum
 35 of all sales taxes levied by a county under this subchapter or any other
 36 provision of the Arkansas Code.

1 ~~(G)(3)~~ The combined county use tax is equal to the sum of
2 all use taxes levied by a county under this subchapter or any other provision
3 of the Arkansas Code.

4 ~~(3)(c)~~ This provision applies only to taxes collected by the
5 Director of the Department of Finance and Administration.

6 ~~(b)(1)~~ The term "single transaction", as used in this section and §§
7 26-75-207—26-75-212, shall be defined by ordinance of the county levying
8 the tax.

9 ~~(2)(A)~~ Every county ordinance adopted after January 1, 1998,
10 which calls for an election to levy a local sales and use tax authorized by
11 this subchapter or any other provision of the Arkansas Code shall contain a
12 definition of the term "single transaction" which definition shall amend all
13 other previous ordinances defining "single transaction".

14 ~~(B)~~ Provided, however, any county which adopts an
15 ordinance which calls for an election to levy a local sales and use tax
16 authorized by this subchapter or any other provision of the Arkansas Code may
17 comply with this provision by adopting a definition of the term "single
18 transaction" prior to the commencement of the collection of the local sales
19 and use tax.

20 ~~(3)~~ Effective January 1, 1998, the most recent definition of
21 "single transaction" adopted prior to January 1, 1998, shall apply to and
22 amend all previous local sales and use tax ordinances.

23 ~~(4)~~ It is the intent of this provision to require each county
24 which levies a local sales and use tax to adopt a uniform definition of the
25 term "single transaction" for all taxes levied by the county.

26 ~~(5)~~ This provision is limited to ordinances levying local sales
27 and use taxes collected by the Department of Finance and Administration.
28

29 SECTION 39. Arkansas Code § 26-74-309(d), regarding effective date of
30 rate change, is amended as follows:

31 ~~(d)(1)~~ The county court shall notify the director of the countywide
32 tax after publication of the proclamation has occurred and ninety (90) days
33 before the effective date of the tax.

34 ~~(2)~~ If no election challenge is timely filed, the countywide tax
35 shall be levied, effective on the first day of the first month of the
36 calendar quarter after a minimum of sixty (60) days' notice by the director

1 to sellers and subsequent to after the expiration of the thirty-day challenge
2 period, on the gross receipts from the sale at retail within the county of
3 all items and services which are subject to the Arkansas Gross Receipts Act
4 of 1941, § 26-52-101 et seq., and the Compensating Tax Act of 1949, § 26-53-
5 101 et seq.

6
7 SECTION 40. Arkansas Code § 26-74-311 is amended as follows:

8 26-74-311. Notification of results.

9 (a) Within ten (10) days after the certification of the votes of any
10 election resulting in the adoption or abolition of a tax levied pursuant to
11 this subchapter, and ninety (90) days before the effective date, the county
12 court shall notify the director of the results and furnish the director with
13 a map clearly indicating the boundaries of the county and the boundaries of
14 each incorporated area within the county.

15 (b) Rate changes will become effective only on the first day of a
16 calendar quarter after a minimum of sixty (60) days' notice by the director
17 to sellers.

18 (c) Rate changes on purchases from printed catalogs in which the
19 purchaser computed the tax based upon local tax rates published in the
20 catalog will be applicable beginning on the first day of a calendar quarter
21 after a minimum of one hundred twenty (120) days' notice by the director to
22 the sellers.

23 (d) For sales and use tax purposes only, local boundary changes will
24 only become effective on the first day of a calendar quarter after a minimum
25 of sixty (60) days' notice by the director to sellers.

26
27 SECTION 41. Arkansas Code § 26-74-312(b) is amended as follows:

28 (b) The director shall collect, in addition to the state gross
29 receipts tax, an additional tax under the authority of this subchapter on the
30 gross receipts from the sale ~~at retail within the county~~ of all items and
31 services which are subject to the Arkansas Gross Receipts Act, § 26-52-101 et
32 seq., and the Arkansas Compensating Use Tax Act, § 26-53-101 et seq.

33
34 SECTION 42. *Effective January 1, 2006, Arkansas Code § 26-74-320 is*
35 *amended to read as follows:*

36 (a)(1) *Any county general sales or use tax levied pursuant to this*

1 subchapter shall be levied and collected only on the first two thousand five
2 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price
3 ~~from a single transaction~~ on the sale of motor vehicles, aircraft,
4 watercraft, modular homes, manufactured homes, or mobile homes, and vendors
5 shall be responsible for collecting and remitting the tax only on the first
6 two thousand five hundred dollars (\$2,500) of gross receipts, gross proceeds,
7 or sales price ~~from a single transaction~~ on the sale of motor vehicles,
8 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

9 (2)(A) Each vendor who is liable for one (1) or more county
10 sales or use taxes shall report a combined county sales tax and a combined
11 county use tax on his or her sales and use tax report.

12 (B) The combined county sales tax is equal to the sum of
13 all sales taxes levied by a county under this subchapter or any other
14 provision of the Arkansas Code.

15 (C) The combined county use tax is equal to the sum of all
16 use taxes levied by a county under this subchapter or any other provision of
17 the Arkansas Code.

18 (3) This provision applies only to taxes collected by the
19 Director of the Department of Finance and Administration.

20 ~~(b)(1) The term "single transaction", as used in this section, shall~~
21 ~~be defined by ordinance.~~

22 ~~(2)(A) Every county ordinance adopted after January 1, 1998,~~
23 ~~which calls for an election to levy a local sales and use tax authorized by~~
24 ~~this subchapter or any other provision of the Arkansas Code shall contain a~~
25 ~~definition of the term "single transaction", which definition shall amend all~~
26 ~~other previous ordinances defining "single transaction".~~

27 ~~(B) Provided, however, any county which adopts an~~
28 ~~ordinance which calls for an election to levy a local sales and use tax~~
29 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~
30 ~~comply with this provision by adopting a definition of the term "single~~
31 ~~transaction" prior to the commencement of the collection of the local sales~~
32 ~~and use tax.~~

33 ~~(3) The most recent definition of "single transaction" adopted~~
34 ~~prior to January 1, 1998, shall apply to and amend all previous local sales~~
35 ~~and use tax ordinances.~~

36 ~~(4) It is the intent of this provision to require each county~~

1 ~~which levies a local sales and use tax to adopt a uniform definition of the~~
2 ~~term "single transaction" for all taxes levied by the county.~~

3 ~~(5) This provision is limited to ordinances levying local sales~~
4 ~~and use taxes collected by the department.~~

5
6 SECTION 43. Arkansas Code § 26-74-404(d), regarding the effective date
7 for rate changes, is amended as follows:

8 (d)(1) The county court shall notify the director of the tax after
9 publication of the proclamation has occurred and ninety (90) days before the
10 effective date of the tax.

11 (2) If no election challenge is timely filed, there shall be
12 levied, effective on the first day of the first month of the calendar quarter
13 after a minimum of sixty (60) days' notice by the director to sellers and
14 ~~subsequent to~~ after the expiration of the thirty-day challenge period, a one-
15 half percent (0.5%) tax on the gross receipts from the sale at retail within
16 ~~the county~~ of all items which are subject to the Arkansas Gross Receipts Act
17 of 1941, § 26-52-101 et seq., and the Arkansas Compensating Tax Act of 1949,
18 § 26-53-101 et seq., and, in every county where the local sales and use tax
19 has been adopted pursuant to the provisions of this subchapter, there is
20 imposed an excise tax on the storage, use, distribution, or consumption
21 within the county of tangible personal property and services purchased,
22 leased, or rented from any retailer outside the state after the effective
23 date of the sales and use tax for storage, use, distribution, or other
24 consumption in the county at a rate of one-half percent (0.5%) of the sale
25 price of the property and services or, in the case of leases or rentals, of
26 the lease or rental price, the rate of the use tax to correspond to the rate
27 of the sales tax portion of the tax.

28 (3) The use tax portion of the local sales and use tax shall be
29 collected according to the terms of the Arkansas Compensating Tax Act of
30 1949, § 26-53-101 et seq.

31
32 SECTION 44. Arkansas Code § 26-74-406 is amended as follows:

33 26-74-406. Notification of results.

34 (a) Within ten (10) days after the certification of the votes of any
35 election resulting in the adoption of a tax levied pursuant to this
36 subchapter, and ninety (90) days prior to the effective date of the rate

1 change, the county court shall notify the director of such results.

2 (b) Rate changes will become effective only on the first day of a
3 calendar quarter after a minimum of sixty (60) days' notice by the director
4 to sellers.

5 (c) Rate changes on purchases from printed catalogs in which the
6 purchaser computed the tax based upon local tax rates published in the
7 catalog will be applicable beginning on the first day of a calendar quarter
8 after a minimum of one hundred twenty (120) days' notice by the director to
9 the sellers.

10 (d) For sales and use tax purposes only, local boundary changes will
11 only become effective on the first day of a calendar quarter after a minimum
12 of sixty (60) days' notice by the director to sellers.

13
14 SECTION 45. Arkansas Code § 26-74-407 is amended as follows:

15 26-74-407. Applicability of tax.

16 ~~(a)~~ A county sales tax levied pursuant to the authority granted in
17 this subchapter or in § 26-74-301 et seq. shall be applicable to sales of
18 items and services sold by a business ~~located in the levying county to a~~
19 ~~resident or nonresident of the levying county~~ and shall be administered under
20 the Arkansas Gross Receipts Act of 1941, Arkansas Code § 26-52-101, et seq.,
21 and the Arkansas Compensating Tax Act of 1949, Arkansas Code § 26-53-101, et
22 seq.

23 ~~(b) This sales tax shall not be applicable to sales of items or~~
24 ~~services by a business located in a county which levies no county sales tax,~~
25 ~~regardless of the place of residence of the purchaser.~~

26
27 SECTION 46. *Effective January 1, 2006, Arkansas Code § 26-74-408(a),*
28 *regarding rebates, is amended as follows:*

29 (a) A county shall provide in its ordinance authorized by this
30 subchapter a rebate from the county for taxes collected pursuant to this
31 subchapter in excess of ~~twenty five dollars (\$25.00) paid to the county on a~~
32 ~~single transaction~~ two thousand five hundred dollars (\$2,500) of the gross
33 receipts, gross proceeds, or sales price on the sale of motor vehicles,
34 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

35
36 SECTION 47. *Effective January 1, 2006, Arkansas Code § 26-74-412 is*

1 amended as follows:

2 26-74-412. Maximum tax limitation.

3 (a)(1) Any county general sales or use tax levied pursuant to this
4 subchapter shall be levied and collected only ~~to a maximum tax of twenty five~~
5 ~~dollars (\$25.00) on each single transaction,~~ on the first two thousand five
6 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price on
7 the sale of motor vehicles, aircraft, watercraft, modular homes, manufactured
8 homes, or mobile homes, and vendors shall be responsible for collecting and
9 remitting the tax only ~~to the maximum of twenty five dollars (\$25.00) for~~
10 ~~each single transaction~~ on the first two thousand five hundred dollars
11 (\$2,500) of gross receipts, gross proceeds, or sales price on the sale of
12 motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or
13 mobile homes.

14 (2) Vendors collecting, reporting, and remitting the county
15 sales or use taxes shall show county sales taxes as a separate entry on the
16 tax report form filed with the director.

17 ~~(b)(1) The term "single transaction", as used in this section and §§~~
18 ~~26-75-207—26-75-212, shall be defined by ordinance of the county levying~~
19 ~~the tax.~~

20 ~~(2)(A) Every county ordinance adopted after January 1, 1998,~~
21 ~~which calls for an election to levy a local sales and use tax authorized by~~
22 ~~this subchapter or any other provision of the Arkansas Code shall contain a~~
23 ~~definition of the term "single transaction" which definition shall amend all~~
24 ~~other previous ordinances defining "single transaction".~~

25 ~~(B) Provided, however, any county which adopts an~~
26 ~~ordinance which calls for an election to levy a local sales and use tax~~
27 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~
28 ~~comply with this provision by adopting a definition of the term "single~~
29 ~~transaction" prior to the commencement of the collection of the local sales~~
30 ~~and use tax.~~

31 ~~(3) Effective January 1, 1998, the most recent definition of~~
32 ~~"single transaction" adopted prior to January 1, 1998, shall apply to and~~
33 ~~amend all previous local sales and use tax ordinances.~~

34 ~~(4) It is the intent of this provision to require each county~~
35 ~~which levies a local sales and use tax to adopt a uniform definition of the~~
36 ~~term "single transaction" for all taxes levied by the county.~~

1 ~~(5) This provision is limited to ordinances levying local sales~~
2 ~~and use taxes collected by the Department of Finance and Administration.~~

3 ~~(e)~~ (b)(1) In the case of any taxpayer not subject to the levy of a
4 use tax on tangible personal property or taxable services brought into the
5 State of Arkansas for storage until such property is subsequently initially
6 used in the State of Arkansas, a county use tax shall be computed on each
7 purchase of such property and services by the taxpayer as if all such
8 property was subject upon purchase to the county use tax up to ~~a maximum of~~
9 ~~twenty five dollars (\$25.00) per single transaction~~ the first two thousand
10 five hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales
11 price on the sale of motor vehicles, aircraft, watercraft, modular homes,
12 manufactured homes, or mobile homes.

13 (2) The taxes so computed shall be aggregated on a monthly
14 basis, and the aggregate monthly amount shall be divided by the sum of the
15 total purchases of such property on which the taxes are computed, and the
16 quotient shall be multiplied by the amount of the taxpayer's property
17 subsequently initially used and subject to levy of a use tax within the
18 county during the month for which the monthly aggregate tax figure was
19 computed, and the product shall be the amount of county use tax liability for
20 *the taxpayer for the month computed.*

21
22 SECTION 48. Arkansas Code § 26-74-605(e) is amended to read as
23 follows:

24 (e) *If no election challenge is timely filed, there shall be levied,*
25 *effective on the first day of the first month of the calendar quarter after a*
26 *minimum of sixty (60) days' notice by the director to sellers and subsequent*
27 *to the expiration of the thirty-day challenge period, a county-wide tax on*
28 *the gross receipts from the sale at retail within the eligible county of all*
29 *items that are subject to the Arkansas Gross Receipts Act of 1941, § 26-52-*
30 *101 et seq. Furthermore, in every eligible county where the local sales and*
31 *use tax has been adopted pursuant to the provisions of this subchapter, there*
32 *is imposed an excise tax on the storage, use, distribution, or consumption*
33 *within the eligible county of taxable services and tangible personal property*
34 *purchased, leased, or rented from any retailer outside the state after the*
35 *effective date of the sales and use tax for storage, use, distribution, or*
36 *other consumption in the eligible county at the same rate as on the sale*

1 price of the property or, in the case of leases or rentals, of the lease or
2 rental price, the rate of the use tax to correspond to the rate of the sales
3 tax portion of the tax. The use tax portion of the local sales and use tax
4 shall be collected according to the terms of the Arkansas Compensating Tax
5 Act of 1949, § 26-53-101 et seq.

6
7 SECTION 49. Arkansas Code § 26-74-607 is amended to read as follows:
8 Within ten (10) days after the certification of the votes of any
9 election resulting in the adoption or abolition of a tax levied pursuant to
10 this subchapter and ninety (90) days before the effective date of the tax,
11 the county judge shall notify the Director of the Department of Finance and
12 Administration of the results.

13
14 SECTION 50. Arkansas Code § 26-74-608 is amended to read as follows:
15 26-74-608. Applicability of tax.

16 (a)(1) A tax levied pursuant to the authority granted in this
17 subchapter shall be applicable to sales of items and services sold by a
18 business ~~located in the eligible county to a resident or nonresident of the~~
19 ~~eligible county but shall not be applicable to the sale of motor vehicles to~~
20 ~~nonresidents of the eligible county. Provided, however, the tax shall not be~~
21 ~~applicable to the sale of items and services sold to a nonresident of the~~
22 ~~eligible county if the sale is made for delivery to an address that is in a~~
23 ~~city or county that does not impose a city or county sales tax and the sale~~
24 ~~is of an item that is primarily sold through meter and by route delivery if~~
25 ~~the sale is documented by a sales invoice indicating that the sale was made~~
26 ~~for delivery and that delivery was actually made to the person at the place~~
27 ~~noted thereon located outside a county or city in which a sales tax is levied~~
28 and the tax shall be administered under the Arkansas Gross Receipts Act of
29 1941, § 26-52-101, et seq., and the Arkansas Compensating Tax Act of 1949, §
30 26-53-101, et seq.

31 ~~(2) When a motor vehicle is sold to a person who resides in~~
32 ~~Arkansas but outside the eligible county where the sale was made and when the~~
33 ~~city or county, or both, of residence of the purchaser levies a sales and use~~
34 ~~tax, a use tax shall be collected at the rate levied in the city or county,~~
35 ~~or both, of residence of the purchaser, and in that event the tax shall be~~
36 ~~transmitted to the city or county, or both, of residence.~~

1 ~~(b) The tax shall not be applicable to the sale of the following items~~
 2 ~~if the sale is made to a nonresident of the eligible county and if the sales~~
 3 ~~invoice indicates that the sale was made for delivery to and delivery was~~
 4 ~~actually made to an address that is located in a city or county that does not~~
 5 ~~impose a city or county sales tax:~~

6 ~~(1) Aviation fuel;~~

7 ~~(2) Distillate special fuel used for agricultural purposes;~~

8 ~~(3) Agricultural machinery, parts, repairs, and supplies~~
 9 ~~therefor;~~

10 ~~(4) Water wells and water well supplies;~~

11 ~~(5) Agricultural feed, seed, and fertilizer; and~~

12 ~~(6) Agricultural chemicals.~~

13 ~~(e)(1)(b)~~ When a direct pay permit holder purchases tangible personal
 14 property or taxable services either from an Arkansas or out-of-state vendor
 15 for use, storage, consumption, or distribution in Arkansas, the permit holder
 16 shall accrue and remit the county sales or use tax, if any, of the county
 17 where the property or services ~~is~~ are first used, stored, consumed, or
 18 distributed.

19 ~~(2) When a direct pay permit holder purchases taxable services,~~
 20 ~~the permit holder shall accrue and remit the sales tax, if any, of the county~~
 21 ~~where the services are performed.~~

22
 23 SECTION 51. Effective January 1, 2006, Arkansas Code § 26-74-612 is
 24 amended to read as follows:

25 26-74-612. Maximum tax limitation.

26 (a)(1) Any county general sales or use tax levied pursuant to this
 27 subchapter shall be levied and collected only on the first two thousand five
 28 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price
 29 ~~from a single transaction~~ on the sale of motor vehicles, aircraft,
 30 watercraft, modular homes, manufactured homes, or mobile homes, and vendors
 31 shall be responsible for collecting and remitting the tax only on the first
 32 two thousand five hundred dollars (\$2,500) of gross receipts, gross proceeds,
 33 or sales price ~~from a single transaction~~ on the sale of motor vehicles,
 34 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

35 (2) Vendors collecting, reporting, and remitting the tax shall
 36 show the tax as a separate entry on the tax report form filed with the

1 Director of the Department of Finance and Administration.

2 ~~(b)(1) The term "single transaction" as used in this section and §§~~
 3 ~~26-75-207—26-75-212 shall be defined by ordinance of the eligible county~~
 4 ~~levying the tax.~~

5 ~~(2)(A) Every county ordinance adopted after January 1, 1998,~~
 6 ~~that calls for an election to levy a local sales and use tax authorized by~~
 7 ~~this subchapter or any other provision of the Arkansas Code shall contain a~~
 8 ~~definition of the term "single transaction", which definition shall amend all~~
 9 ~~other previous ordinances defining "single transaction".~~

10 ~~(B) Provided, however, any eligible county that adopts an~~
 11 ~~ordinance which calls for an election to levy a local sales and use tax~~
 12 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~
 13 ~~comply with this provision by adopting a definition of the term "single~~
 14 ~~transaction" prior to the commencement of the collection of the local sales~~
 15 ~~and use tax.~~

16 ~~(3) The most recent definition of "single transaction" adopted~~
 17 ~~prior to January 1, 1998, shall apply to and amend all previous local sales~~
 18 ~~and use tax ordinances.~~

19 ~~(4) It is the intent of this provision to require each eligible~~
 20 ~~county that levies a local sales and use tax to adopt a uniform definition of~~
 21 ~~the term "single transaction" for all taxes levied by the eligible county.~~

22 ~~(5) This provision is limited to ordinances levying local sales~~
 23 ~~and use taxes collected by the Department of Finance and Administration.~~
 24

25 SECTION 52. Arkansas Code § 26-75-207(c), regarding the levying of a
 26 tax, is amended as follows:

27 (c) The sales tax portion of any local sales and use tax adopted under
 28 this subchapter shall be levied by the governing body on the receipts from
 29 the sale at retail ~~within the city~~ of all items and services which are
 30 subject to taxation under the Arkansas Gross Receipts Act, § 26-52-101 et
 31 seq., and the Compensating Use Tax Act, § 26-53-101 et seq.
 32

33 SECTION 53. Arkansas Code § 26-75-209(1)(D), regarding the effective
 34 date of ordinance, is amended as follows:

35 (D)(i) The mayor of the city shall notify the director of
 36 the rate change after publication of the proclamation has occurred and ninety

1 (90) days before the effective date of the tax.

2 (ii) If no election challenge is filed within ~~this~~
3 ~~period~~ the thirty (30) day challenge period, the ordinance shall become
4 effective on the first day of the first month of the calendar quarter after a
5 minimum of sixty (60) days' notice by the director to sellers and subsequent
6 ~~to~~ after the expiration of the full thirty-day period of challenge; ~~and.~~

7
8 SECTION 54. Arkansas Code § 26-75-209(1), regarding the effective date
9 of ordinance, is amended to add an additional subdivision to read as follows:

10 (E) The rate change shall become applicable on the first
11 day of a quarter after one hundred twenty (120) days' notice by the director
12 to sellers on purchases from printed catalogs in which the purchaser computed
13 the tax based upon local tax rates published in the catalog; and

14
15 SECTION 55. Arkansas Code § 26-75-211(b), regarding the effective date
16 of a boundary change, is amended as follows:

17 (b)(1) If any such city in which a local sales and use tax has been
18 imposed in the manner provided for in this subchapter shall thereafter change
19 or alter its boundaries, the city clerk of the city shall forward to the
20 director, at least ninety (90) days before the effective date, a certified
21 copy of the ordinance adding or detaching territory from the city, which
22 shall be accompanied by a map clearly showing the territory added thereto or
23 detached therefrom.

24 (2) After receipt of the ordinance and map, the tax imposed
25 under this subchapter shall be effective in the added territory or abolished
26 in the detached territory on the first day of the first month of the calendar
27 quarter following the expiration of ~~thirty (30) days from the date that the~~
28 ~~annexation or detachment becomes effective~~ sixty (60) days notice by the
29 director to sellers.

30
31 SECTION 56. Arkansas Code § 26-75-212(a), regarding collection of tax,
32 is amended as follows:

33 (a)(1)(A) In each city where a local sales and use tax has been
34 imposed in the manner provided by this subchapter, every retailer shall add
35 the tax imposed by the Arkansas Gross Receipts Act, § 26-52-101 et seq., and
36 the Arkansas Compensating Tax Act, § 26-53-101 et seq., and the tax imposed

1 by this subchapter to his or her sale price, and when added, the combined tax
2 shall:

3 ~~(A)(i)~~ Constitute a part of the price;

4 ~~(B)(ii)~~ Be a debt of the purchaser to the retailer until
5 paid; and

6 ~~(C)(iii)~~ Be recoverable at law in the same manner as the
7 purchase price.

8 (B) When the sale price in the city shall involve a
9 fraction of a dollar, the two (2) combined taxes shall be added to the sale
10 price ~~according to a schedule and bracket system formula established by the~~
11 ~~director.~~

12 (C) A retailer shall be entitled to the same discount with
13 respect to tax remitted under this subchapter as is authorized for the
14 collection and remission of gross receipts taxes to the State of Arkansas as
15 authorized in § 26-52-503.

16 (2)(A) Any fraction of one cent (1¢) of tax which is less than
17 one-half of one cent (1/2 of 1¢) shall not be collected.

18 (B) Any fraction of one cent (1¢) of tax equal to one-half
19 of one cent (1/2 of 1¢) or more shall be collected as a whole cent (1¢) of
20 tax.

21 (3) In the event the General Assembly, or the electors of the
22 state, shall either increase or decrease the rate of the state gross receipts
23 tax, the combined rate of the state gross receipts tax and the local sales
24 tax shall be the sum of the two (2) rates. ~~In this event, the director may~~
25 ~~publish a schedule of the taxes due with reference to sales involving a~~
26 ~~fraction of one dollar (\$1.00).~~

27

28 SECTION 57. Arkansas Code § 26-75-214(b), regarding the collection of
29 tax, is amended as follows:

30 (b) The director shall collect, in addition to the state gross
31 receipts tax and compensating tax, an additional tax under the authority of
32 this subchapter on the receipts from the sale at retail or on the sale price
33 or lease or rental price on the storage, use, distribution, or other
34 consumption of all taxable items ~~within the city which property is~~ and
35 services subject to the Arkansas Gross Receipts Act, § 26-52-101 et seq. and
36 Arkansas Compensating Tax Act, § 26-53-101 et seq.

1
2 SECTION 58. Arkansas Code § 26-75-216 is amended as follows:

3 26-75-216. Applicability of tax.

4 (a)~~(1)~~ A city sales tax levied pursuant to the authority granted in
5 this subchapter or in § 26-75-301 et seq. shall be applicable to sales of
6 items and services sold by a business ~~located in a levying city to a resident~~
7 ~~or nonresident of the levying city but shall not be applicable to motor~~
8 ~~vehicles sold to nonresidents of the levying city; provided, however, the tax~~
9 ~~shall not be applicable to the sale of items and services sold to a~~
10 ~~nonresident of the levying city if the sale is made for delivery to an~~
11 ~~address which is in a city or county that does not impose a city or county~~
12 ~~sales tax, and the sale is of an item that is primarily sold through meter~~
13 ~~and by route delivery, if such sale is documented by a sales invoice~~
14 ~~indicating that the sale was made for delivery and that delivery was actually~~
15 ~~made to the person at the place noted thereon located outside a city or~~
16 ~~county in which a sales tax is levied and shall be administered in accordance~~
17 with the Arkansas Gross Receipts Tax Act of 1941, § 26-52-101, et seq., and
18 the Arkansas Compensating Tax Act of 1949, § 26-53-101.

19 ~~(2) When a motor vehicle is sold to a person who resides in~~
20 ~~Arkansas but outside the city where the sale was made, and the city or county~~
21 ~~of residence of the purchaser levies a sales and use tax, a use tax shall be~~
22 ~~collected at the rate levied in the city or county of residence of the~~
23 ~~purchaser and in that event the tax shall be transmitted to the city or~~
24 ~~county of residence.~~

25 (b) ~~The tax shall not be applicable to the sale of the following~~
26 ~~items, if the sale is made to a nonresident of the levying city and the sales~~
27 ~~invoice indicates that the sale was made for delivery to, and delivery was~~
28 ~~actually made to, an address which is located in a city or county that does~~
29 ~~not impose a city or county sales tax:~~

30 ~~(1) Aviation fuel;~~

31 ~~(2) Distillate special fuel used for agricultural purposes;~~

32 ~~(3) Agricultural machinery, parts, repairs and supplies~~
33 ~~therefor;~~

34 ~~(4) Water wells and water well supplies;~~

35 ~~(5) Agricultural feed, seed, and fertilizer; and~~

36 ~~(6) Agricultural chemicals.~~

1 ~~(e)(b)~~ When a direct pay permit holder purchases tangible personal
2 property or taxable services either from an Arkansas or out of state vendor
3 for use, storage, consumption or distribution in Arkansas, the permit holder
4 shall accrue and remit the city sales and use tax, if any, of the city where
5 the property or services ~~is~~ are first used, stored, consumed, or distributed.
6 ~~When a direct pay permit holder purchases taxable services, the permit holder~~
7 ~~shall accrue and remit the sales tax, if any, of the city where the services~~
8 ~~are performed.~~

9
10 SECTION 59. *Effective January 1, 2006, Arkansas Code § 26-75-222 is*
11 *amended as follows:*

12 26-75-222. Maximum tax limitation.

13 (a)~~(1)~~ Any municipal general sales or use tax levied pursuant to this
14 subchapter shall be levied and collected only on the first two thousand five
15 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price
16 from ~~each single transaction,~~ the sale of motor vehicles, aircraft,
17 watercraft, modular homes, manufactured homes, or mobile homes, and vendors
18 shall be responsible for collecting and remitting the tax only on the first
19 two thousand five hundred dollars (\$2,500) of gross receipts, gross proceeds,
20 or sales price from ~~each single transaction~~ the sale of motor vehicles,
21 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

22 ~~(2)(A)(b)(1)~~ Each vendor who is liable for one (1) or more city
23 sales or use taxes shall report a combined city sales tax and a combined city
24 use tax on his or her sales and use tax report.

25 ~~(B)(2)~~ The combined city sales tax is equal to the sum of
26 all sales taxes levied by a city under this subchapter or any other provision
27 of the Arkansas Code.

28 ~~(C)(3)~~ The combined city use tax is equal to the sum of
29 all use taxes levied by a city under this subchapter or any other provision
30 of the Arkansas Code.

31 ~~(3)(c)~~ This provision applies only to taxes collected by the
32 Director of the Department of Finance and Administration.

33 ~~(b)(1)(A)~~ ~~The term "single transaction", as used in this section and~~
34 ~~§§ 26-75-207—26-75-212, shall be defined by ordinance of the municipality~~
35 ~~levying the tax.~~

36 ~~(B)(i)~~ ~~Every city ordinance adopted after January 1, 1998,~~

1 ~~which calls for an election to levy a local sales and use tax authorized by~~
 2 ~~this subchapter or any other provision of the Arkansas Code shall contain a~~
 3 ~~definition of the term "single transaction" which definition shall amend all~~
 4 ~~other previous ordinances defining "single transaction".~~

5 ~~(ii) Provided, however, any city which adopts an~~
 6 ~~ordinance which calls for an election to levy a local sales and use tax~~
 7 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~
 8 ~~comply with this provision by adopting a definition of the term "single~~
 9 ~~transaction" prior to the commencement of the collection of the local sales~~
 10 ~~and use tax.~~

11 ~~(2) Effective January 1, 1998, the most recent definition of~~
 12 ~~"single transaction" adopted prior to January 1, 1998, shall apply to and~~
 13 ~~amend all previous local sales and use tax ordinances.~~

14 ~~(3) It is the intent of this provision to require each city~~
 15 ~~which levies a local sales and use tax to adopt a uniform definition of the~~
 16 ~~term "single transaction" for all taxes levied by the city or county.~~

17 ~~(4) This provision is limited to ordinances levying local sales~~
 18 ~~and use taxes collected by the Department of Finance and Administration.~~

19
 20 SECTION 60. Arkansas Code § 26-75-309(1)(D), regarding the effective
 21 date of ordinance, is amended as follows:

22 (D)(i) The mayor of the city shall notify the director
 23 after publication of the proclamation has occurred and ninety (90) days
 24 before the effective date of the tax.

25 (ii) If no election challenge is filed within this
 26 the thirty (30) day challenge period, the ordinance shall become effective on
 27 the first day of the first month of the calendar quarter after a minimum of
 28 sixty (60) days' notice by the director to sellers and subsequent to after
 29 the expiration of the full thirty-day period of challenge, and

30
 31 SECTION 61. Arkansas Code § 26-75-309(1), regarding the effective date
 32 of ordinance, is amended to add an additional subdivision to read as follows:

33 (E) The rate change shall become applicable on the first
 34 day of a quarter after one hundred twenty (120) days' notice by the director
 35 to sellers on purchases from printed catalogs in which the purchaser computed
 36 the tax based upon local tax rates published in the catalog; and

1
2 SECTION 62. Arkansas Code § 26-75-311(b), concerning effective date of
3 boundary change, is amended as follows:

4 (b)(1) If any such city in which a local sales and use tax has been
5 imposed in the manner provided for in this subchapter shall thereafter change
6 or alter its boundaries, the city clerk of the city shall forward to the
7 director, at least ninety (90) days before the effective date, a certified
8 copy of the ordinance adding or detaching territory from the city, which
9 shall be accompanied by a map clearly showing the territory added thereto or
10 detached therefrom.

11 (2) After receipt of the ordinance and the map, the tax imposed
12 under this subchapter shall be effective in the added territory or abolished
13 in the detached territory on the first day of the first month of the calendar
14 quarter following the expiration of thirty (30) days from the date that the
15 annexation or detachment becomes effective or after a minimum of sixty (60)
16 days' notice by the director to sellers, whichever expires last.

17
18 SECTION 63. Arkansas Code § 26-75-312(a), concerning collection of
19 tax, is amended to read as follows:

20 (a)(1) In each city in which a local sales and use tax has been
21 imposed in the manner provided by this subchapter, every retailer shall add
22 the tax imposed by the Arkansas Gross Receipts Act, § 26-52-101 et seq., and
23 the Arkansas Compensating Tax Act, § 26-53-101 et seq., and the tax imposed
24 by this subchapter to his or her sale price, and when added, the combined tax
25 shall:

26 (A) Constitute a part of the price;

27 (B) Be a debt of the purchaser to the retailer until paid;

28 and

29 (C) Be recoverable at law in the same manner as the
30 purchase price.

31 (2) When the sale price in the city shall involve a fraction of
32 a dollar, the two (2) combined taxes shall be added to the sale price
33 ~~according to a schedule and bracket system formula established by the~~
34 ~~director.~~

35 (3) A retailer shall be entitled to the same discount with
36 respect to tax remitted under this subchapter as is authorized for the

1 collection and remission of gross receipts taxes to the State of Arkansas as
2 authorized in § 26-52-503.

3 ~~(2)(b)(1)~~ Any fraction of one cent (1¢) of tax which is less than one-
4 half of one cent (1/2 of 1¢) shall not be collected.

5 (2) Any fraction of one cent (1¢) of tax equal to one-half
6 of one cent (1/2 of 1¢) or more shall be collected as a whole cent (1¢) of
7 tax.

8 ~~(3)(c)~~ In the event the General Assembly or the electors of the state
9 shall either increase or decrease the rate of the state gross receipts tax,
10 the combined rate of state tax and the local sales tax shall be the sum of
11 the two (2) rates. ~~In this event, the director may publish a schedule of the~~
12 ~~taxes due with reference to sales involving a fraction of one dollar (\$1.00).~~

13 ~~(b)~~ A city shall provide in its ordinance authorized by this
14 subchapter for a rebate from the city for taxes collected pursuant to this
15 subchapter in excess of the tax on the first two thousand five hundred
16 dollars (\$2,500) of gross receipts, gross proceeds, or sales price from a
17 single transaction.

18
19 SECTION 64. Effective January 1, 2006, Arkansas Code Title 26, Chapter
20 75, Subchapter 3 is amended to add an additional section to read as follows:

21 26-75-321. Rebate.

22 A city shall provide in its ordinance authorized by this subchapter for
23 a rebate from the city for taxes collected under this subchapter in excess of
24 the tax on the first two thousand five hundred dollars (\$2,500) of gross
25 receipts, gross proceeds, or sales price on the sale of motor vehicles,
26 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

27
28 SECTION 65. Effective January 1, 2006, Arkansas Code § 26-75-319 is
29 amended to read as follows:

30 26-75-319. Maximum tax limitation.

31 (a)(1) Any municipal general sales or use tax levied pursuant to this
32 subchapter shall be levied and collected only on the first two thousand five
33 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price
34 ~~from a single transaction~~ on the sale of motor vehicles, aircraft,
35 watercraft, modular homes, manufactured homes, or mobile homes, and vendors
36 shall be responsible for collecting and remitting the tax only on the first

1 two thousand five hundred dollars (\$2,500) of gross receipts, gross proceeds,
2 or sales price ~~from a single transaction~~ on the sale of motor vehicles,
3 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

4 (2)(A) Each vendor who is liable for one (1) or more municipal
5 sales or use taxes shall report a combined city sales tax and a combined city
6 use tax on his or her sales and use tax report.

7 (B) The combined city sales tax is equal to the sum of all
8 sales taxes levied by a city under this subchapter or any other provision of
9 the Arkansas Code.

10 (C) The combined city use tax is equal to the sum of all
11 use taxes levied by a city under this subchapter or any other provision of
12 the Arkansas Code.

13 (3) This provision applies only to taxes collected by the
14 Director of the Department of Finance and Administration.

15 ~~(b)(1) The term "single transaction", as used in this section, shall~~
16 ~~be defined by ordinance.~~

17 ~~(2)(A) Every city ordinance adopted after January 1, 1998, which~~
18 ~~calls for an election to levy a local sales and use tax authorized by this~~
19 ~~subchapter or any other provision of the Arkansas Code shall contain a~~
20 ~~definition of the term "single transaction" which definition shall amend all~~
21 ~~other previous ordinances defining "single transaction".~~

22 ~~(B) Provided, however, any city which adopts an ordinance~~
23 ~~which calls for an election to levy a local sales and use tax authorized by~~
24 ~~this subchapter or any other provision of the Arkansas Code may comply with~~
25 ~~this provision by adopting a definition of the term "single transaction"~~
26 ~~prior to the commencement of the collection of the local sales and use tax.~~

27 ~~(3) The most recent definition of "single transaction" adopted~~
28 ~~prior to January 1, 1998, shall apply to and amend all previous local sales~~
29 ~~and use tax ordinances.~~

30 ~~(4) It is the intent of this provision to require each city~~
31 ~~which levies a local sales and use tax to adopt a uniform definition of the~~
32 ~~term "single transaction" for all taxes levied by the city.~~

33 ~~(5) This provision is limited to ordinances levying local sales~~
34 ~~and use taxes collected by the department.~~

35
36 SECTION 66. Arkansas Code § 26-75-316(a), regarding a use tax, is

1 amended as follows:

2 (a) In every city in which the local sales and use tax has been
3 adopted pursuant to the provisions of this subchapter, there is imposed an
4 excise tax on the storage, use, distribution, or other consumption within the
5 city of tangible personal property and taxable services purchased, leased, or
6 rented from any retailer outside the state after the effective date of the
7 sales and use tax for storage, use, distribution, or other consumption in the
8 city at a rate of one-half of one percent (1/2 of 1%) or at the rate of one
9 percent (1%) of the sale price of the property and services, or, in the case
10 of leases or rentals, of the lease or rental price, the rate of the use tax
11 to correspond to the rate of the sales tax portion of the tax.

12

13 SECTION 67. Arkansas Code § 26-75-404(d) and (e), concerning election
14 procedures, are amended as follows:

15 (d)(1) Following the election, the mayor of the city or town shall
16 issue a proclamation of the results of the election and the proclamation
17 shall be published one (1) time in a newspaper having general circulation in
18 the city or town.

19 (2)(A) If a majority of the electors voting on the issue vote
20 against the levy of the tax, the tax shall not be levied and the question of
21 the levy of a tax under this subchapter shall not again be submitted to the
22 electors of the city or town for one (1) year.

23 (B) If a majority of the electors voting on the issue vote
24 for the levy of the tax, the tax shall be levied and collected as provided
25 for in this subchapter for the period prescribed in the ordinance.

26 (3)(A) A person desiring to challenge the results of the
27 election shall file the challenge in the ~~chancery~~ circuit court of the county
28 in which the city or town is located within thirty (30) days of the date of
29 publication of the proclamation.

30 (B)(i)(a) The mayor of the city or town shall notify the
31 director of the rate change after publication of the proclamation has
32 occurred and ninety (90) days before the effective date of the tax.

33 (b) If no election challenge is filed within
34 ~~this~~ the thirty (30) day challenge period, the ordinance shall become
35 effective on the first day of the first month of the calendar quarter after a
36 minimum of sixty (60) days' notice by the director to sellers and after the

1 expiration of the thirty-day period for challenge of the results of the
2 election.

3 (c) In the case of purchases made from printed
4 catalogs in which the purchaser computed the tax based upon local tax rates
5 published in the catalog, the applicable date will be the first day of the
6 quarter after a minimum of one hundred twenty (120) days' notice by the
7 director to sellers.

8 (ii) In the event of an election contest, the tax
9 shall be collected as prescribed in subdivision (d)(3)(B)(i) of this section.

10 (e)(1) If a majority of electors voting on the issue vote "FOR" the
11 levy of the tax, a copy of the mayor's proclamation of the results of the
12 election shall be transmitted to the Director of the Department of Finance
13 and Administration of the State of Arkansas within ten (10) days after the
14 election.

15 (2)(A) At the time of transmitting the proclamation, the clerk
16 shall also send to the director a map of the city or town clearly showing the
17 boundaries of the city or town.

18 (B)(i) If any such city or town shall thereafter change or
19 alter its boundaries, the city or town clerk shall forward to the director
20 ninety (90) days before the effective date of the boundary changes a
21 certified copy of the ordinance adding or detaching territory from the city
22 or town, and the ordinance shall be accompanied by a map clearly showing the
23 territory added or detached.

24 (ii) After receipt of the ordinance and map, the tax
25 imposed under this subchapter shall be effective in the added territory or
26 abolished in the detached territory on the first day of the first month of
27 the calendar quarter following the expiration of thirty (30) days from the
28 date that the annexation or detachment becomes effective or after a minimum
29 of sixty (60) days' notice by the director to sellers, whichever expires
30 last.

31
32 SECTION 68. Arkansas Code § 26-75-405(a), concerning items subject to
33 tax, is amended as follows:

34 (a) When any city or town levies a sales and use tax pursuant to the
35 authority granted in this subchapter, tax shall be levied upon the same sales
36 and the same items and services as are subject to taxation under the Arkansas

1 Gross Receipts Act, § 26-52-101 et seq., and the Arkansas Compensating Tax
2 Act, § 26-53-101 et seq.

3
4 SECTION 69. Arkansas Code § 26-75-502(a), concerning authority to
5 levy, is amended as follows:

6 (a) Any city of the first or second class having a population of not
7 more than forty thousand (40,000) persons according to the most recent
8 federal census and which has been or may hereafter be designated as a model
9 city under the Demonstration Cities and Metropolitan Development Act of 1966
10 may, by an ordinance passed by its governing body, levy for the benefit of
11 the city a tax of not to exceed one percent (1%) on gross proceeds or gross
12 receipts derived from sales ~~within the city~~, as such sales and gross proceeds
13 or gross receipts are defined in the Arkansas Gross Receipts Act, § 26-52-101
14 *et seq.*, and the Arkansas Compensating Tax Act, § 26-53-101 et seq.

15
16 SECTION 70. Arkansas Code § 26-75-503(d), concerning election
17 requirements, is amended as follows:

18 (d)(1) If the majority vote "FOR" the ordinance, it shall be deemed to
19 be operative on the date that the governing body of the city makes its
20 official canvass of the election returns.

21 (2) However, no such tax shall be collected under any such
22 ordinance until the first day of a ~~month~~ calendar quarter ~~occurring at least~~
23 ~~thirty (30) days after the operative date~~ after a minimum of sixty (60) days'
24 notice by the director to sellers.

25 (3) For purchases made from printed catalogs in which the
26 purchaser computed the tax based upon local tax rates published in the
27 catalog, the tax shall be collected on the first day of the quarter after a
28 minimum of one hundred twenty (120) days' notice by the director to sellers.

29
30 SECTION 71. *Effective January 1, 2006*, Arkansas Code § 26-81-104(a),
31 regarding the amount of tax and period of tax, is amended as follows:

32 (a)(1) Any tax levied pursuant to the authority of this chapter shall
33 be a tax equal to one percent (1%) on the sales price on items of personal
34 property and services sold or to be used in the levying county, to the extent
35 of and subject to the exemptions with respect to the gross receipts tax and
36 compensating use tax as set forth in § 26-52-101 et seq. and § 26-53-101 et

1 seq., respectively.

2 (2)(A) Any tax levied pursuant to this chapter shall be levied
3 and collected only ~~to a maximum tax of twenty five dollars (\$25.00) on each~~
4 ~~single transaction,~~ on the first two thousand five hundred dollars (\$2,500)
5 of gross receipts, gross proceeds, or sales price from the sale of motor
6 vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile
7 homes, and vendors shall be responsible for collecting and remitting the tax
8 only ~~to the maximum of twenty five dollars (\$25.00) for each single~~
9 ~~transaction,~~ on the first two thousand five hundred dollars (\$2,500) of gross
10 receipts, gross proceeds, or sales price from the sale of motor vehicles,
11 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

12 (B) Vendors collecting, reporting, and remitting the
13 county sales or use taxes shall show county taxes as a separate entry on the
14 tax report form.

15 ~~(3)(A) The term "single transaction", as used in this~~
16 ~~subsection, shall be defined by ordinance of the county levying the tax.~~

17 ~~(B)(i) Every county ordinance adopted after January 1,~~
18 ~~1998, which calls for an election to levy a local sales and use tax~~
19 ~~authorized by this subchapter or any other provision of the Arkansas Code~~
20 ~~shall contain a definition of the term "single transaction" which definition~~
21 ~~shall amend all other previous ordinances defining "single transaction".~~

22 ~~(ii) Provided, however, any county which adopts an~~
23 ~~ordinance which calls for an election to levy a local sales and use tax~~
24 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~
25 ~~comply with this provision by adopting a definition of the term "single~~
26 ~~transaction" prior to the commencement of the collection of the local sales~~
27 ~~and use tax.~~

28 ~~(C) Effective January 1, 1998, the most recent definition~~
29 ~~of "single transaction" adopted prior to January 1, 1998, shall apply to and~~
30 ~~amend all previous local sales and use tax ordinances.~~

31 ~~(D) It is the intent of this provision to require each~~
32 ~~county which levies a local sales and use tax to adopt a uniform definition~~
33 ~~of the term "single transaction" for all taxes levied by the county.~~

34 ~~(E) This provision is limited to ordinances levying local~~
35 ~~sales and use taxes collected by the Department of Finance and~~
36 ~~Administration.~~

1
2 SECTION 72. Arkansas Code § 26-81-106(a), regarding election results,
3 challenge, and effective date, is amended as follows:

4 (a)(1) Upon certification of the election results, the county judge
5 shall issue a proclamation declaring the results of the election and cause
6 the proclamation to be published one (1) time in a newspaper having general
7 circulation within the county.

8 (2) The county judge shall notify the director of the results
9 after publication of the proclamation has occurred and ninety (90) days
10 before the effective date of the tax.

11 ~~(2)(3)~~ If no election challenge is timely filed, there shall be
12 levied, effective on the first day of the first ~~calendar~~ month of the
13 calendar quarter ~~subsequent to~~ after the expiration of the thirty-day
14 challenge period, and after a minimum of sixty (60) days' notice by the
15 director to sellers, a one percent (1%) tax on the gross receipts from the
16 sale at retail within the county on all items which are subject to the
17 Arkansas Gross Receipts Act of 1941, § 26-52-101 et seq., and an excise tax
18 on the storage, use, or consumption within the county of tangible personal
19 property and services purchased, leased or rented from any retailer outside
20 the state for storage, use, or other consumption in the county, at a rate of
21 one percent (1%) of the sale price of the property or services or, in the
22 case of leases or rentals, of the lease or rental price, the rate of the use
23 tax to correspond to the rate of the sales tax portion of the tax. The use
24 tax portion of the local sales and use tax shall be collected according to
25 the terms of the Arkansas Compensating Tax Act, § 26-53-101 et seq.

26
27 SECTION 73. *Effective January 1, 2006*, Arkansas Code § 26-81-
28 107(b)(1), regarding the record of collections and deposit with State
29 Treasurer, is amended as follows:

30 (1) Make remittances to the county for rebates made by the
31 county for taxes, if any, in excess of amounts specified by the particular
32 county ordinances paid by a taxpayer ~~on a single transaction~~;

33
34 SECTION 74. *Effective January 1, 2006*, Arkansas Code § 26-81-
35 107(c)(2), regarding the record of collections and deposit with State
36 Treasurer, is amended as follows:

1 (2) The State Treasurer shall transmit monthly to the county
2 treasurer and to the municipal treasurer of each municipality located in a
3 county levying the tax authorized in this chapter their per capita share of
4 the moneys received by the State Treasurer from the tax levied by such county
5 and credited to the account of the county in the Local Sales and Use Tax
6 Trust Fund. The county treasurer of any county which has levied a sales and
7 use tax pursuant to this chapter and which rebates taxes paid ~~on a single~~
8 ~~transaction~~ in excess of a specified amount shall monthly certify to the
9 State Treasurer the total amount of rebates paid since the preceding
10 certification, and the State Treasurer shall remit that amount to the county
11 treasurer from the Local Sales and Use Tax Trust Fund.

12
13 SECTION 75. *Effective January 1, 2006, Arkansas Code § 26-81-110 is*
14 amended as follows:

15 26-81-110. Combined tax reports.

16 ~~(a)(1)(A) Every city or county ordinance adopted after January 1,~~
17 ~~1998, which calls for an election to levy a local sales and use tax~~
18 ~~authorized by this subchapter or any other provision of the Arkansas Code~~
19 ~~shall contain a definition of the term "single transaction" which definition~~
20 ~~shall amend all other previous ordinances defining "single transaction".~~

21 ~~(B) Provided, however, any county which adopts an~~
22 ~~ordinance which calls for an election to levy a local sales and use tax~~
23 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~
24 ~~comply with this provision by adopting a definition of the term "single~~
25 ~~transaction" prior to the commencement of the collection of the local sales~~
26 ~~and use tax.~~

27 ~~(2) Effective January 1, 1998, the most recent definition of~~
28 ~~"single transaction" adopted prior to January 1, 1998, shall apply to and~~
29 ~~amend all previous local sales and use tax ordinances.~~

30 ~~(3) It is the intent of this provision to require each city or~~
31 ~~county which levies a local sales and use tax to adopt a uniform definition~~
32 ~~of the term "single transaction" for all taxes levied by the city or county.~~

33 ~~(4) This provision is limited to ordinances levying local sales~~
34 ~~and use taxes collected by the Department of Finance and Administration.~~

35 ~~(b)(1)(a)(1)~~ Each vendor who is liable for one (1) or more city sales
36 or use taxes shall report a combined city sales tax and a combined city use

1 tax on his or her sales and use tax report.

2 (2)(A) The combined city sales tax is equal to the sum of all
3 sales taxes levied by a city under this subchapter or any other provision of
4 the Arkansas Code.

5 (B) The combined city use tax is equal to the sum of all
6 use taxes levied by a city under this subchapter or any other provision of
7 the Arkansas Code.

8 (3) This provision applies only to taxes collected by the
9 Director of the Department of Finance and Administration.

10 (4) This provision does not apply to tax collected pursuant to §
11 26-75-502, et seq. which shall continue to be reported separately.

12 ~~(e)(b)(1)~~ Each vendor who is liable for one (1) or more county sales
13 or use taxes shall report a combined county sales tax and a combined county
14 use tax on his or her sales and use tax report.

15 (2) The combined county sales tax is equal to the sum of all
16 sales taxes levied by a county under this subchapter or any other provision
17 of the Arkansas Code.

18 (3) The combined county use tax is equal to the sum of all use
19 taxes levied by a county under this subchapter or any other provision of the
20 Arkansas Code.

21 (4) This provision applies only to taxes collected by the
22 director.

23
24 SECTION 76. Arkansas Code § 14-164-303(a)(12), pertaining to defined
25 terms for local bonds, is amended to read as follows:

26 (12) "Local sales and use tax", as used in §§ 14-164-327 - 14-
27 164-339, means a tax on the receipts from sales at retail within such
28 municipality or county of all items and services which are subject to
29 taxation under the Arkansas Gross Receipts Tax Act of 1941, as amended, § 26-
30 52-101 et seq., and a tax on the receipts for storing, using, or consuming
31 tangible personal property or taxable services under the Arkansas
32 Compensating Tax Act of 1949, as amended, § 26-53-101 et seq.;

33
34 SECTION 77. *Effective January 1, 2006, Arkansas Code § 14-164-303(b),*
35 *pertaining to single transactions, is repealed.*

36 ~~(b)(1) As used in this subchapter, "single transaction" shall be~~

1 ~~defined by ordinance of the county or municipality levying the tax.~~

2 ~~(2)(A) Every city or county ordinance adopted after January 1,~~
3 ~~1998, which calls for an election to levy a local sales and use tax~~
4 ~~authorized by this subchapter or any other provision of the Arkansas Code~~
5 ~~shall contain a definition of the term "single transaction", which definition~~
6 ~~shall amend all other previous ordinances defining "single transaction".~~

7 ~~(B) Provided, however, any city or county which adopts an~~
8 ~~ordinance which calls for an election to levy a local sales and use tax~~
9 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~
10 ~~comply with this provision by adopting a definition of the term "single~~
11 ~~transaction" prior to the commencement of the collection of the local sales~~
12 ~~and use tax.~~

13 ~~(3) Effective January 1, 1998, the most recent definition of~~
14 ~~"single transaction" adopted prior to January 1, 1998, shall apply to and~~
15 ~~amend all previous local sales and use tax ordinances.~~

16 ~~(4) It is the intent of this provision to require each city or~~
17 ~~county which levies a local sales and use tax to adopt a uniform definition~~
18 ~~of the term "single transaction" for all taxes levied by the city or county.~~

19 ~~(5) This provision is limited to ordinances levying local sales~~
20 ~~and use taxes collected by the Department of Finance and Administration.~~

21
22 SECTION 78. Arkansas Code § 14-164-329(a), pertaining to local sales
23 and use tax elections, is amended to read as follows:

24 (a) The levy of such tax shall not be effective until after the
25 election has been held and the issuance of bonds has been approved by the
26 voters and the director has been given ninety (90) days notice.

27
28 SECTION 79. Arkansas Code § 14-164-329(b)(1), pertaining to local
29 sales and use tax elections, is amended to read as follows:

30 (1) If no election challenge is filed within thirty (30) days of
31 the date of publication of the proclamation of the results of the election,
32 the tax shall, unless delayed as provided in subdivision (b)(3) of this
33 section, become effective on the first day of the first month of the calendar
34 month quarter ~~subsequent to~~ after the expiration of the thirty-day period for
35 challenge and after a minimum of sixty (60) days' notice has been provided by
36 the director to sellers.

1
2 SECTION 80. Arkansas Code § 14-164-329(b)(3)(C), pertaining to local
3 sales and use tax elections, is amended to read as follows:

4 (C) The delayed effective date shall in any event be the
5 first day of a the first month of the calendar ~~month~~ quarter.

6
7 SECTION 81. Arkansas Code § 14-164-329(c)(2), pertaining to local
8 sales and use tax elections, is amended to read as follows:

9 (2) In order to provide for the accomplishment of the
10 administrative duties of the director and to protect the owners of the bonds,
11 the tax shall be abolished on the first day of the first month of the
12 calendar ~~month~~ quarter ~~subsequent to~~ after the expiration of ~~thirty (30)~~
13 ninety (90) days from the date there is filed with the director a written
14 statement signed by the chief executive officer of the municipality or county
15 levying the tax and by the trustee for the bondholders, if a trustee is
16 serving in such capacity, identifying the tax and the bonds, ~~wherein~~ in which
17 either:

18 (A) The trustee certifies that the trustee has or will
19 have sufficient funds set aside to pay the principal of and interest on the
20 bonds when due at maturity or at redemption prior to maturity and the
21 municipality or county levying the tax certifies that the tax is not pledged
22 to any other bonds of such municipality or county; or

23 (B) The municipality or county levying the tax certifies
24 that there are no longer any bonds outstanding payable from tax collections.

25
26 SECTION 82. Arkansas Code § 14-164-331, pertaining to municipal
27 boundaries for local sales and use taxes, is amended to read as follows:

28 (a) If a municipality in which a local sales and use tax has been
29 imposed in the manner provided for in this subchapter thereafter changes or
30 alters its boundaries, the clerk of the municipality shall ninety (90) days
31 before the effective date forward to the director a certified copy of the
32 ordinance annexing or detaching territory from the municipality and a map
33 clearly showing the territory annexed or detached.

34 (b) After the receipt of the ordinance and map, any tax imposed under
35 this subchapter shall be effective in the added territory or abolished in the
36 detached territory on the first day of the first month of the calendar ~~month~~

1 quarter following the expiration of thirty (30) days from the date that the
2 annexation or detachment becomes effective and after a minimum of sixty (60)
3 days' notice by the director to sellers.

4
5 SECTION 83. Arkansas Code § 14-164-333(b)(1)(B), pertaining to local
6 sales and use taxes for capital improvement bonds, is amended to read as
7 follows:

8 (B) ~~When the sale price in the municipality or county~~
9 ~~involves a fraction of a dollar, the two combined taxes shall be added to the~~
10 ~~sales price according to a schedule and bracket system formula established by~~
11 ~~the director. However, a~~ A retailer shall be entitled to the same discount
12 with respect to tax remitted under this subchapter as is authorized for the
13 collection and remission of gross receipts taxes to the state as authorized
14 in § 26-52-503.

15
16 SECTION 84. Arkansas Code § 14-164-333(c), pertaining to local sales
17 and use taxes for capital improvement bonds, is amended to read as follows:

18 (c) In the event the General Assembly, or the electors of the state,
19 shall either increase or decrease the rate of the state gross receipts tax,
20 the combined rate of the state gross receipts tax and the local sales tax
21 shall be the sum of the two (2) rates. ~~In such event, the director may~~
22 ~~publish a schedule of taxes due with reference to sales involving a fraction~~
23 ~~of one dollar (\$1.00).~~

24
25 SECTION 85. *Effective January 1, 2006, Arkansas Code § 14-164-334(a),*
26 pertaining to local sales and use taxes for capital improvement bonds, is
27 amended to read as follows:

28 (a) Any sales and use tax levied pursuant to this subchapter shall be
29 levied and collected only on the first two thousand five hundred dollars
30 (\$2,500) of gross receipts, gross proceeds, or sales price ~~from a single~~
31 transaction on the sale of motor vehicles, aircraft, watercraft, modular
32 homes, manufactured homes, or mobile homes.

33
34 SECTION 86. *Effective January 1, 2006, Arkansas Code § 14-164-*
35 *334(b)(1),* pertaining to local sales and use taxes for capital improvement
36 bonds, is amended to read as follows:

1 (b)(1) For any taxpayer not subject to the levy of a use tax on
2 taxable services or tangible personal property brought into the State of
3 Arkansas for storage until such property is subsequently initially used in
4 the State of Arkansas, the use tax portion of the local sales and use tax
5 authorized by this subchapter shall be computed on each purchase of the
6 property by the taxpayer as if all such property was subject upon purchase to
7 such use tax ~~up to a maximum of twenty five dollars (\$25.00) per single~~
8 ~~transaction~~ but only on the first two thousand five hundred dollars (\$2,500)
9 of gross receipts, gross proceeds, or sales price on the sale of motor
10 vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile
11 homes.

12
13 SECTION 87. *Effective January 1, 2006, Arkansas Code § 14-164-337(g),*
14 *pertaining to single transactions, is repealed.*

15 ~~(g)(1)(A) Every city or county ordinance adopted after January 1, 1998,~~
16 ~~which calls for an election to levy a local sales and use tax authorized by~~
17 ~~this subchapter or any other provision of the Arkansas Code shall contain a~~
18 ~~definition of the term "single transaction", which definition shall amend all~~
19 ~~other previous ordinances defining "single transaction".~~

20 ~~(B) Provided, however, any city or county which adopts an~~
21 ~~ordinance which calls for an election to levy a local sales and use tax~~
22 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~
23 ~~comply with this provision by adopting a definition of the term "single~~
24 ~~transaction" prior to the commencement of the collection of the local sales~~
25 ~~and use tax.~~

26 ~~(2) Effective January 1, 1998, the most recent definition of~~
27 ~~"single transaction" adopted prior to January 1, 1998, shall apply to and~~
28 ~~amend all previous local sales and use tax ordinances.~~

29 ~~(3) It is the intent of this provision to require each city or~~
30 ~~county which levies a local sales and use tax to adopt a uniform definition~~
31 ~~of the term "single transaction" for all taxes levied by the city or county.~~

32 ~~(4) This provision is limited to ordinances levying local sales~~
33 ~~and use taxes collected by the Department of Finance and Administration.~~

34
35 SECTION 88. Effective date. It is found and determined by the Eighty-
36 fourth General Assembly that the Streamlined Sales Tax Agreement is necessary

1 in order to stop the loss of sales tax revenue due to the rapid growth of
2 internet sales, to level the playing field between local businesses and out-
3 of-state businesses, and to negate the undue burden on interstate commerce;
4 and that this act is necessary in order for Arkansas to be in compliance with
5 the Streamlined Sales Tax Agreement. Under the Streamlined Sales Tax
6 Agreement, when at least ten (10) states comprising at least twenty percent
7 (20%) of the total population, as determined by the 2000 Federal census, of
8 all states imposing a state sales tax have petitioned for membership and have
9 been found to be in compliance with the requirements of the agreement, the
10 agreement will become effective unless a specific effective date is otherwise
11 given. Therefore, the provisions of this act shall become effective either
12 on the effective date specified in that section or, if no effective date is
13 listed in the section, then on the first day of the first quarter following
14 the effective date of the Streamlined Sales Tax Agreement.

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16 /s/ Hill, et al

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19 APPROVED: 4/11/2003
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