

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1003**

**Bill Subtitle: TO CREATE A SALES AND USE TAX EXEMPTION FOR BALE WRAP USED FOR COTTON.**

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### Basic Change :

Representatives Lenderman, Copenhaver, Jett, Ratliff, W. Wagner, B. Wilkins, Wren

The proposal would amend Ark Code Ann. § 26-52-408 to exempt from state and local sales taxes the sale of bale wrap used for baling, packaging, wrapping, storing, or transporting cotton from the field where it is produced to a cotton yard or a cotton gin. The proposal would be effective on the first day of the calendar quarter following the effective date of the act.

### Revenue Impact :

**FY 2014 Total Impact to State Revenues                    - \$ 293,333**

( 8 Months Impact -? Effective Date of 10/01/13)

- \$ 196,985 - State General Revenue (4.5%)
- \$ 38,303 - Educational Adequacy (.875% tax)
- \$ 21,887 - Property Tax Relief Trust Fund (.5%)
- \$ 5,472 - Conservation Tax (.125%)
- \$ 21,887 - Highway Tax (.5%)
- \$ 0 - Educational Excellence Trust Fund
- \$ 5,867 - State Central Services
- \$ 2,933 - Constitutional Officers

Local City and county Sales Tax Impact - \$ 135,000

**FY 2015 Total Impact to State Revenues                    - \$ 460,000**

- \$ 263,434 - State General Revenue (4.5%)
- \$ 60,065 - Educational Adequacy (.875% tax)
- \$ 34,323 - Property Tax Relief Trust Fund (.5%)
- \$ 8,581 - Conservation Tax (.125%)
- \$ 34,432 - Highway Tax (.5%)
- \$ 41,780 - Educational Excellence Trust Fund
- \$ 9,200 - State Central Services
- \$ 4,600 - Constitutional Officers

Local City and county Sales Tax Impact - \$ 142,000

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### **Taxpayer Impact :**

Taxpayers would be required to change accounting and computer systems to allow for the exemption.

### **Resources Required :**

None

### **Time Required :**

Adequate time is allowed in the proposal

### **Procedural Changes :**

Education of staff personnel of change in tax rate and amend existing rules to reflect the exemption.

### **Legal Analysis :**

This bill exempts bale wrap used for baling, packaging, wrapping, storing, or transporting cotton from the field from which it is produced to a cotton yard or a cotton gin. Based on the language of the bill, the exemption appears to be limited to bale wrap used at the cotton field location.

Cotton gins already receive an exemption for bagging, packaging and tying materials.