

Department of Finance and Administration

Legislative Impact Statement

Bill: HB2026

Amendment Number: H1

Bill Subtitle: TO AMEND ARKANSAS LAW CONCERNING THE SALES AND USE TAX TREATMENT OF CERTAIN MODES OF TRANSPORTATION.

Basic Change :

Representative Vines

House Amendment 1 --- The bill would repeal the provisions of Act 1058 of 2011 which provided for a sales tax exemption for certain trucks used in interstate commerce and also provided for the transfer of funds from the State Highway and Transportation Department Fund to offset the tax loss. The bill repeals the annual transfer of the \$4,000,000 from the State Highway and Transportation Department Fund for distribution to the funds that receive the state sales tax. The \$4M annual transfer replaced revenues lost from the sales and use tax exemption on Class 6 and 7 trucks and semitrailers.

The bill also repeals the full sales and use tax exemption on sales of Class 6 and Class 7 truck tractors that are registered as engaged in interstate commerce through the International Registration Plan (IRP) and the full sales and use tax exemption on semitrailers. The bill would reinstate the levy of sales tax on only the first \$9,150 of the purchase price of a truck tractor and the first \$1,000 of the purchase price for a semitrailer. These thresholds for the amount subject to sales tax were in effect prior to Act 1058 of 2011. The bill would be effective on the first day of the calendar quarter following the effective date of the act.

Revenue Impact :

None. The loss of revenues from ceasing the \$4M transfer to general revenue will be offset by the additional sales and use tax collections on trucks and trailers.

Taxpayer Impact :

Motor carriers who register class six (6) and class seven (7) trucks under the IRP, and trailers pulled by such trucks will again be subject to sales tax on the first \$9,150 of the purchase price of the truck tractor and the first \$1,000 of the semitrailer. The total state sales tax at 6.5% will be \$594.75 for a truck tractor and \$65.00 for a semitrailer.

Resources Required :

None

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Reinstatement within DFA computer systems of the levy of sales tax on IRP registered truck tractors.

Other Comments :

The bill provides for an effective date to end the funds transfer and to reinstate the limited sales tax levy on truck tractors and semi-trailers to be the 1st day of the calendar quarter following the effective date of the act.

Legal Analysis :

The original version of HB2026 was a shell bill. Amendment H-1 contains the substantive content of the bill. As amended, HB2026 repeals changes to the sales and use tax law made by Act 1058 of 2011, which went into effect on July 1, 2012.

Department of Finance and Administration

Legislative Impact Statement

Bill: HB2026

Amendment Number: H1

Bill Subtitle: TO AMEND ARKANSAS LAW CONCERNING THE SALES AND USE TAX TREATMENT OF CERTAIN MODES OF TRANSPORTATION.

Act 1058 of 2011 created a full sales and use tax exemption for sales of new or used Class Six or Class Seven trucks registered with the International Registration Plan to be engaged in interstate commerce. Act 1058 also changed the sales and use tax exemption for the sale of certain semitrailers. Prior to Act 1058, the exemption applied for the gross receipts in excess of the first \$1,000 of the purchase price of all semitrailers drawn by a truck tractor registered as a Class Five through Class Eight truck. With the changes of Act 1058, there is a full exemption on the sale of all new or used semitrailers. To offset the loss to general revenues resulting from the new exemptions, Act 1058 diverts the first \$4 million received each fiscal year from the tax on distillate special fuels that were dedicated as special revenues for the benefit of the State Highway and Transportation Department Fund. The revenues diverted are distributed as follows: 75% to general revenues; 14.6% to the Educational Adequacy Fund; 8.3% to the Property Tax Relief Trust Fund; and 2.1% to the Conservation Tax Fund.

HB2026 repeals all of the exemptions for trucks and trailers established by Act 1058 as well as the \$4 million per fiscal year diversion offset described above. This completely reverses the changes effected by Act 1058 of 2011.

The bill also restores the reference to a single 9.5 cent per gallon tax on distillate special fuel referenced in Ark. Code Ann. § 26-56-201(a)(1). Act 1058 split this tax into its originally enacted components of 8.5 cents and 1 cent since Act 1058 affected only the 8.5 cent portion. Once the exemptions and offset are repealed, there would be no need to separate the two components out, and the restoration of the reference to a single 9.5 cent levy would not cause any problems. Distribution of the two components is already covered under other Code sections.

The changes made by HB2026 are effective on the first day of the calendar quarter following the effective date of the act. There is no effective date listed for the bill itself.