

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB802** [Revised Impact – Revised 3/17/15]  
**Bill Subtitle: TO AMEND THE LAW CONCERNING THE SALES AND USE TAXES APPLICABLE TO CERTAIN SERVICES; AND TO EXEMPT CERTAIN SOLID WASTE SERVICES FROM SALES AND USE TAXES.**

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**Basic Change :** Sponsor: Senator Rapert

The bill provides a sales and use tax exemption for certain solid waste disposal services. State and local sales taxes are currently imposed on the collection and disposal of solid waste. DFA's rules use the definition of solid waste as provided in Title 8 of the Arkansas Code which pertain to Arkansas environmental laws. That definition includes disposal of drilling fluids as disposal of solid waste. The bill provides a sales tax exemption for the collection and disposal of saltwater, drilling fluids, hydraulic fracturing fluids, produced water, pit water, pit mud, and similar materials produced from oil, gas, or other natural resource exploration and development activities.

### **Revenue Impact :**

#### **FY2016**

Total Annual Impact to State Revenues - \$ 300,000  
[ Impact Based on 8 Months of Reduced Collections --- October 1, 2015 Effective Date ]

-\$ 201,046 --- State General Revenue (4.5%)  
-\$ 39,092 --- Educational Adequacy (.875% tax)  
-\$ 22,338 --- Property Tax Relief Trust Fund (.5%)  
-\$ 5,585 --- Conservation Tax (.125%)  
-\$ 22,338 --- Highway Fund (.5%)  
-\$ 0 --- Educational Excellence Trust Fund  
-\$ 0 --- Educational Adequacy (GR transfer)  
-\$ 6,600 --- State Central Services  
-\$ 3,000 --- Constitutional Officers

Total Loss to City and County Sales Taxes - \$100,000

#### **FY2017**

Total Annual Impact to State Revenues - \$ 450,000

-\$ 255,158 --- State General Revenue (4.5%)  
-\$ 58,638 --- Educational Adequacy (.875% tax)  
-\$ 33,508 --- Property Tax Relief Trust Fund (.5%)  
-\$ 8,377 --- Conservation Tax (.125%)  
-\$ 33,508 --- Highway Fund (.5%)  
-\$ 42,642 --- Educational Excellence Trust Fund  
-\$ 3,770 --- Educational Adequacy (GR transfer)  
-\$ 9,900 --- State Central Services  
-\$ 4,500 --- Constitutional Officers

Total Loss to City and County Sales Taxes - \$150,000

[ Impact based on 2014 tax reports filed with DFA by companies providing the disposal services.]

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### **Taxpayer Impact :**

Purchasers of the specified disposal services resulting from natural resource exploration would claim exemption from taxation to the provider of the services. Sellers of the services would be required to maintain accounting records to substantiate their exempted sales transactions.

### **Resources Required :**

None

### **Time Required :**

Adequate time is provided for implementation

### **Procedural Changes :**

Modification of sales tax rules and education of staff personnel of the change.

### **Legal Analysis :**

SB802 provides a definition for "solid wastes" as all putrescible and non-putrescible wastes in solid or semisolid form resulting from any and all activities. SB802 clarifies that "solid wastes" does not include materials produced or generated from oil, gas, or other natural resource exploration and development activities, unless those materials are actually disposed of in a permitted landfill, in which case only the landfill disposal fees are taxable. SB802 would take effect on the first day of the calendar quarter following its effective date.