

Department of Finance and Administration

Amended Legislative Impact Statement

Bill: HB1912

Bill Subtitle: TO PROVIDE A REDUCED SALES AND USE TAX RATE FOR CERTAIN USED MOTOR VEHICLES, TRAILERS, AND SEMITRAILERS.

Basic Change :

Sponsors: Rep. Jett and Sen. J. Dismang

HB1912 creates a reduced sales and use tax rate of 3.5% for sales of used motor vehicles, trailers, and semitrailers having a sales price of at least \$4,000 but less than \$10,000. The 3.5% tax rate consists of a 2.875% statutory rate and the .625% sales and use taxes levied by Amendments 75 and 91 to the Arkansas Constitution for conservation and highways.

HB1912 would become effective on and after January 1, 2022.

Revenue Impact :

FY2022

Total Approximate State Sales and Use Tax Loss **\$ -6,500,000**

(Estimated Effective Date 1/1/22 --- 6 months reduced tax collection of 3.5%)

General Revenue - 4.5%	\$-4,966,125
Property Tax Relief - .5%	\$-484,500
Conservation Fund - .125%	\$0
Educational Adequacy Fund - .875%	\$-847,875
Highway Fund - .5%	\$0
Educational Excellence Trust Fund -	\$0
Educational Adequacy (GR Transfer) -	\$0
State Central Services -	\$-136,500
Constitutional Officers -	\$-65,000

Total Approximate Local City and County Sales and Use Tax Loss **\$ 0**

FY2023

Total Approximate State Sales and Use Tax Loss **\$ -13,100,000**

(12 months reduced tax collections of 3.5%)

General Revenue - 4.5%	\$-9,337,571
Property Tax Relief - .5%	\$-976,454
Conservation Fund - .125%	\$0
Educational Adequacy Fund - .875%	\$-1,708,794
Highway Fund - .5%	\$0
Educational Excellence Trust Fund -	\$-616,575

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Educational Adequacy (GR Transfer) -	\$-54,506
State Central Services -	\$-275,100
Constitutional Officers -	\$-131,000

Total Approximate Local City and County Sales and Use Tax Loss	\$ 0
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Taxpayer Impact :

The sale of a used motor vehicle, trailer, or semitrailer with a sales price of greater than \$4,000, but less than \$10,000, will pay sales tax at the reduced rate of 3.5%. Collections of city and county sales taxes will not be affected.

Resources Required :

Computer programing, manual updates and employee training will be required.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Computer programs and training manuals will need to be updated. Department employees and State Revenue Office employees will need to be educated on changes as well as the taxpayer community.

Other Comments :

None.

Legal Analysis :

HB1912 reduces the sales and use tax rate from 6.5% to 3.5% on certain sales of used motor vehicles, trailers, and semitrailers. This reduced rate applies to used vehicles, trailers, and semitrailers having a sales price of at least \$4,000 but less than \$10,000. The 3.5% tax rate consists of the 1/8% and the 1/2% sales and use taxes levied by Amendments 75 and 91 to the Arkansas Constitution and a new statutory sales and use tax rate of 2.875%. The revenues from the 2.875% portion of the tax are divided among state general revenue, the Property Tax Relief Trust Fund, and the Educational Adequacy Fund. Local sales and use taxes remain due on sales qualifying for the 3.5% reduced state tax rate.

The sale of a new motor vehicle, trailer, or semitrailer for \$4,000 or more and the sale of a used motor vehicle, trailer, or semitrailer for \$10,000 or more remain subject to the 6.5% sales and use tax rate levied by current law. Neither the value of a trade-in nor the proceeds from a private sale are subtracted when determining whether the reduced tax rate is applicable. Once the proper tax rate is determined, the trade allowance or private sale proceeds will be deducted from the sales price when

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computing the actual tax amount due. The reduced tax rate is effective on and after January 1, 2022.