

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 87th General Assembly  
3 Regular Session, 2009

# A Bill

HOUSE BILL 2104

4  
5 By: Representative Maxwell  
6  
7

## For An Act To Be Entitled

8  
9 AN ACT TO REDUCE THE SALES AND USE TAX RATE ON  
10 NATURAL GAS AND ELECTRICITY USED OR CONSUMED IN  
11 MANUFACTURING IN THIS STATE; AND FOR OTHER PURPOSES.  
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## Subtitle

14  
15 TO REDUCE THE SALES AND USE TAX RATE ON  
16 NATURAL GAS AND ELECTRICITY USED OR  
17 CONSUMED IN MANUFACTURING IN THIS STATE.  
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20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
21

22 SECTION 1. Arkansas Code § 26-52-319(a), concerning the excise tax on  
23 the gross receipts or gross proceeds derived from the sale of natural gas and  
24 electricity to a manufacturer, is amended to read as follows:

25 (a)(1) Beginning July 1, 2007, in lieu of the gross receipts or gross  
26 proceeds tax levied in §§ 26-52-301 and 26-52-302(a)-(d), there is levied an  
27 excise tax on the gross receipts or gross proceeds derived from the sale of  
28 natural gas and electricity to a manufacturer for use directly in the actual  
29 manufacturing process at the rate of four and three-eighths percent (4.375%).

30 (2) Beginning July 1, 2008, the tax rate levied in subdivision  
31 (a)(1) of this section shall be imposed at the rate of three and seven-eighths  
32 percent (3.875%).

33 (3) Beginning July 1, 2009, the tax rate levied in subdivision  
34 (a)(1) of this section shall be imposed at the rate of two and seven-eighths  
35 percent (2.875%).

36 (4) Beginning July 1, 2010, the tax rate levied in subdivision



1 (a)(1) of this section shall be imposed at the rate of one and seven-eighths  
 2 percent (1.875%).

3 ~~(3)(5)~~ The taxes levied in this subsection ~~(a)~~ shall be  
 4 distributed as follows:

5 (A) Seventy-six and six-tenths percent (76.6%) of the tax,  
 6 interest, penalties, and costs received by the Director of the Department of  
 7 Finance and Administration shall be deposited as general revenues;

8 (B) Eight and five-tenths percent (8.5%) of the tax,  
 9 interest, penalties, and costs received by the director shall be deposited  
 10 into the Property Tax Relief Trust Fund; and

11 (C) Fourteen and nine-tenths percent (14.9%) of the tax,  
 12 interest, penalties, and costs received by the director shall be deposited  
 13 into the Educational Adequacy Fund.

14 ~~(4)(A)~~(6)(A) The excise tax levied in this section applies only  
 15 to natural gas and electricity sold for use directly in the actual  
 16 manufacturing process.

17 (B) Natural gas and electricity sold for any other purpose  
 18 ~~shall be~~ are subject to the full gross receipts or gross proceeds tax levied  
 19 under §§ 26-52-301 and 26-52-302(a)-(d).

20 ~~(5)(7)~~ The excise tax levied in this section shall be collected,  
 21 reported, and paid in the same manner and at the same time as is prescribed  
 22 by law for the collection, reporting, and payment of all other Arkansas gross  
 23 receipts taxes.

24  
 25 SECTION 2. Arkansas Code § 26-53-148(a), concerning the excise tax on  
 26 the sales price of natural gas and electricity purchased by a manufacturer,  
 27 is amended to read as follows:

28 (a)(1) Beginning July 1, 2007, in lieu of the tax levied in §§ 26-53-  
 29 106 and 26-53-107(a)-(d), there is levied an excise tax on the sales price of  
 30 natural gas and electricity purchased by a manufacturer for use directly in  
 31 the actual manufacturing process at the rate of four and three-eighths  
 32 percent (4.375%).

33 (2) Beginning July 1, 2008, the tax rate levied in subdivision  
 34 (a)(1) of this section shall be imposed at the rate of three and seven-eights  
 35 percent (3.875%).

36 (3) Beginning July 1, 2009, the tax rate levied in subdivision

1 (a)(1) of this section shall be imposed at the rate of two and seven-eighths  
 2 percent (2.875%).

3 (4) Beginning July 1, 2010, the tax rate levied in subdivision  
 4 (a)(1) of this section shall be imposed at the rate of one and seven-eighths  
 5 percent (1.875%).

6 ~~(3)(5)~~ The taxes levied in subsection ~~(a)~~ of this section shall  
 7 be distributed as follows:

8 (A) Seventy-six and six-tenths percent (76.6%) of the tax,  
 9 interest, penalties, and costs received by the Director of the Department of  
 10 Finance and Administration shall be deposited as general revenues;

11 (B) Eight and five-tenths percent (8.5%) of the tax,  
 12 interest, penalties, and costs received by the director shall be deposited  
 13 into the Property Tax Relief Trust Fund; and

14 (C) Fourteen and nine-tenths percent (14.9%) of the tax,  
 15 interest, penalties, and costs received by the director shall be deposited  
 16 into the Educational Adequacy Fund.

17 ~~(4)(A)(6)(A)~~ The excise tax levied in this section applies only  
 18 to natural gas and electricity purchased for use directly in the actual  
 19 manufacturing process.

20 (B) Natural gas and electricity purchased for any other  
 21 purpose ~~shall be~~ are subject to the full compensating use tax levied under §§  
 22 26-53-106 and 26-53-107(a)-(d).

23 ~~(5)(7)~~ The excise tax levied in this section shall be collected,  
 24 reported, and paid in the same manner and at the same time as is prescribed  
 25 by law for the collection, reporting, and payment of all other Arkansas  
 26 compensating use taxes.

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 28 SECTION 3. EMERGENCY CLAUSE. It is found and determined by the  
 29 General Assembly of the State of Arkansas that the current sales and use  
 30 taxes on natural gas and electricity used by manufacturers in this state  
 31 creates a competitive disadvantage; that this act is intended to cure that  
 32 disadvantage by reducing the tax rate on natural gas and electricity consumed  
 33 in this state; and that this act is immediately necessary to prevent the loss  
 34 of jobs and sales to other states that impose lower taxes on natural gas and  
 35 electricity used for manufacturing. Therefore, an emergency is declared to  
 36 exist and this act being immediately necessary for the preservation of the

1 public peace, health, and safety shall become effective on:

2 (1) The date of its approval by the Governor;

3 (2) If the bill is neither approved nor vetoed by the Governor,  
4 the expiration of the period of time during which the Governor may veto the  
5 bill; or

6 (3) If the bill is vetoed by the Governor and the veto is  
7 overridden, the date the last house overrides the veto.

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