

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

SENATE BILL 832

4  
5 By: Senator Horn  
6  
7

## For An Act To Be Entitled

8  
9 AN ACT TO GRADUALLY REDUCE THE SALES AND USE TAX  
10 ON UTILITIES THAT ARE USED BY WOOD MANUFACTURERS;  
11 AND FOR OTHER PURPOSES.  
12

## Subtitle

13  
14 TO GRADUALLY REDUCE THE SALES AND USE  
15 TAX ON UTILITIES THAT ARE USED BY  
16 WOOD MANUFACTURERS.  
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18

19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

20 SECTION 1. Arkansas Code Title 26, Chapter 52, Subchapter 3 is amended  
21 to add an additional section to read as follows:

22 26-52-322. Reduced sales tax rate for utilities used by wood  
23 manufacturers.

24 (a) As used in this section:

25 (1) "Utility" means:

26 (A) Liquefied petroleum gas;

27 (B) Natural gas; or

28 (C) Electricity; and

29 (2) "Wood manufacturer" means a place where wood is made into  
30 lumber, paper, or other wood products.

31 (b)(1) Beginning July 1, 2009, in lieu of the gross receipts or gross  
32 proceeds tax levied in §§ 26-52-301 and 26-52-302 or § 26-52-319, there is  
33 levied an excise tax on the gross receipts or gross proceeds derived from the  
34 sale of a utility used by a wood manufacturer in the manufacturing process at  
35 the rate of two and seven-eighths percent (2.875%).

36 (2) Beginning July 1, 2010, and ending on June 30, 2011, the



1 excise tax rate levied in subdivision (b)(1) of this section shall be imposed  
2 at the rate of one and seven-eighths percent (1.875%).

3 (3) Beginning July 1, 2011, and ending on June 30, 2012, the  
4 excise tax rate levied in subdivision (b)(1) of this section shall be imposed  
5 at the rate of seven-eighths percent (0.875%).

6 (4) Beginning July 1, 2012, the excise tax rate levied in  
7 subdivision (b)(1) of this section shall be imposed at the rate of one-eighth  
8 percent (0.125%).

9 (c) The excise tax levied in subsection (b) of this section shall be  
10 distributed as follows:

11 (1) Seventy-six and six-tenths percent (76.6%) of the tax,  
12 interest, penalties, and costs received by the Director of the Department of  
13 Finance and Administration shall be deposited into the State Treasury as  
14 general revenues;

15 (2) Eight and five-tenths percent (8.5%) of the tax, interest,  
16 penalties, and costs received by the director shall be deposited into the  
17 Property Tax Relief Trust Fund; and

18 (3) Fourteen and nine-tenths percent (14.9%) of the tax,  
19 interest, penalties, and costs received by the director shall be deposited  
20 into the Educational Adequacy Fund.

21 (d)(1) The excise tax levied in this section applies only to a utility  
22 sold for use in the manufacturing process by a wood manufacturer.

23 (2) Unless otherwise exempt, a utility sold for any other  
24 purpose is subject to the full gross receipts or gross proceeds tax levied  
25 under §§ 26-52-301 and 26-52-302 or § 26-52-319.

26 (e) The excise tax levied in this section shall be collected,  
27 reported, and paid in the same manner and at the same time as is prescribed  
28 by law for the collection, reporting, and payment of all other Arkansas gross  
29 receipts taxes.

30 (f) A utility subject to the reduced excise tax rate levied in this  
31 section shall be separately metered from a utility used for any other purpose  
32 by the taxpayer, or as otherwise established by the rules issued under  
33 subsection (h) of this section.

34 (g) Before the purchase of a utility at the reduced excise tax rate  
35 levied in this section, the director may require any seller of a utility to  
36 obtain a certificate from the taxpayer in the form prescribed by the

1 director, certifying that the taxpayer is eligible to purchase the utility at  
 2 the reduced excise tax rate.

3 (h) The director shall promulgate rules for the proper administration  
 4 of this section.

5 (i) The gross receipts or gross proceeds derived from the sale of a  
 6 utility to a taxpayer and used in the manufacturing process by a wood  
 7 manufacturer shall continue to be subject to:

8 (1) The excise tax levied under Arkansas Constitution, Amendment  
 9 75, § 2; and

10 (2) All municipal and county gross receipts taxes.

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 12 SECTION 2. Arkansas Code Title 26, Chapter 53, Subchapter 1 is amended  
 13 to add an additional section to read as follows:

14 26-53-149. Reduced sales tax rate for utilities used by wood  
 15 manufacturers.

16 (a) As used in this section:

17 (1) "Utility" means:

18 (A) Liquefied petroleum gas;

19 (B) Natural gas; or

20 (C) Electricity; and

21 (2) "Wood manufacturer" means a place where wood is made into  
 22 lumber, paper, and other wood products.

23 (b)(1) Beginning July 1, 2009, in lieu of the compensating use tax  
 24 levied in §§ 26-53-106 and 26-53-107 or § 26-53-148 there is levied an excise  
 25 tax on the sales price of a utility purchased for use by a wood manufacturer  
 26 and used in the manufacturing process at the rate of two and seven-eighths  
 27 percent (2.875%).

28 (2) Beginning July 1, 2010, and ending on June 30, 2011, the  
 29 excise tax rate levied in subdivision (b)(1) of this section shall be imposed  
 30 at the rate of one and seven-eighths percent (1.875%).

31 (3) Beginning July 1, 2011, and ending on June 30, 2012, the  
 32 excise tax rate levied in subdivision (b)(1) of this section shall be imposed  
 33 at the rate of seven-eighths percent (0.875%).

34 (4) Beginning July 1, 2012, the excise tax rate levied in  
 35 subdivision (b)(1) of this section shall be imposed at the rate of one-eighth  
 36 percent (0.125%).

1       (c) The excise taxes levied in subsection (b) of this section shall be  
2 distributed as follows:

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

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

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

13          (d)(1) The excise tax levied in this section applies only to a utility  
14 purchased for use in the manufacturing process by a wood manufacturer.

15           (2) Unless otherwise exempt, a utility purchased for any other  
16 purpose is subject to the full compensating use tax levied under §§ 26-53-106  
17 and 26-53-107 or § 26-53-148.

18          (e) The excise tax levied in this section shall be collected,  
19 reported, and paid in the same manner and at the same time as is prescribed  
20 by law for the collection, reporting, and payment of all other Arkansas  
21 compensating use taxes.

22          (f) A utility subject to the reduced excise tax rate levied in this  
23 section shall be separately metered from a utility used for any other purpose  
24 by the taxpayer, or as otherwise established by the rules issued under  
25 subsection (h) of this section.

26          (g) Before the purchase of a utility at the reduced excise tax rate  
27 levied in this section, the director may require any seller of a utility to  
28 obtain a certificate from the consumer in the form prescribed by the  
29 director, certifying that the taxpayer is eligible to purchase the utility at  
30 the reduced excise tax rate.

31          (h) The director shall promulgate rules for the proper administration  
32 of this section.

33          (i) The purchase of a utility that qualifies for the reduced excise  
34 tax rate levied in this section shall continue to be subject to:

35           (1) The excise tax levied under Arkansas Constitution, Amendment  
36 75, § 2; and

1           (2) All municipal and county compensating use taxes.

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3           SECTION 3. EMERGENCY CLAUSE. It is found and determined by the  
4 General Assembly of the State of Arkansas that wood manufacturers in this  
5 state have suffered losses due to sharp increases in energy costs; that these  
6 manufacturers are unable to set the price for the products they produce and  
7 are particularly vulnerable to price volatility; that the current sales and  
8 use tax on utilities consumed by these manufacturers located within this  
9 state creates a competitive disadvantage; that this act is intended to  
10 address that problem by providing a reduced tax rate on utilities consumed by  
11 wood manufacturers located in this state; and that this act is necessary to  
12 prevent the loss of wood manufacturing jobs. Therefore, an emergency is  
13 hereby declared to exist and this act being necessary for the preservation of  
14 public peace, health, and safety shall become effective on July 1, 2009.