

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB925**

**Bill Subtitle: TO EXEMPT OUT-OF-STATE BUSINESSES AND THEIR EMPLOYEES FROM CERTAIN TAXES AND REGULATORY REQUIREMENTS DURING A DISASTER RESPONSE PERIOD; AND TO DECLARE AN EMERGENCY.**

---

**Basic Change :** Sponsor: Senator Files

SB925 will create the Business Rapid Response to State Disasters Facilitation Act which exempts out-of-state businesses and their employees from certain taxes and regulatory requirements during a disaster response period. The bill defines types of disasters and businesses affected and exempt companies that perform disaster recovery services from having to register with the Secretary of State or with a professional licensing board. It also exempts businesses from registering, filing and remitting state or local taxes and complying with state licensing, certification and registration requirements including unemployment, income and withholding taxes, sales and use tax on property temporarily brought into the state for use during the disaster response period, and registering with or paying fees to the Public Service Commission. Out of state employees coming into Arkansas to work for disaster relief efforts are not required to file or pay income tax. Disaster relief companies will be required to pay state and local transaction taxes and fees such as motor fuel, distillate special fuel tax, sales and use tax on materials and services consumed or used, hotel, car rental or any other tax or fee that applies to goods or services used or consumed during the disaster period; the out of state business shall provide notification to the Arkansas Department of Emergency Management of the purpose that they are in the state. The Department of Emergency Management will consult with the Department of Finance & Administration in promulgating rules relating to the application of and exemption of taxes. The exemption begins up to 10 days before the State or President declares an emergency and can continue for an additional 60 days, subject to extension by the Director. The bill is effective upon enactment.

**Revenue Impact :**

The amount of any revenue impact is speculative and based on where disasters occur. Several states currently have laws of this nature or are currently considering similar legislation. As Arkansas residents perform disaster relief work in those states with similar laws, their income will be taxed in Arkansas rather than the state where the services are provided. As more states enact similar laws there will be no revenue impact as the income of each state's residents will be taxed in their home state.

**Taxpayer Impact :**

Out-of-state businesses will be allowed to enter the state and conduct disaster recovery activities without having to follow many of the regulatory and tax obligations that would normally be required such as registering, filing, and remitting state or local taxes and complying with state licensing, certification, and registration requirements. They will be required to register with the Department of Emergency Management in order to receive an exemption.

**Resources Required :**

The Department of Emergency Management must consult with the Department of Finance and Administration then promulgate rules, issue forms and procedures Tax instruction booklets will need to be updated to describe the exemptions.

**Time Required :**

Adequate time is provided.

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB925**

**Bill Subtitle: TO EXEMPT OUT-OF-STATE BUSINESSES AND THEIR EMPLOYEES FROM CERTAIN TAXES AND REGULATORY REQUIREMENTS DURING A DISASTER RESPONSE PERIOD; AND TO DECLARE AN EMERGENCY.**

---

### **Procedural Changes :**

The Department of Emergency Management must consult with the Department of Finance and Administration then promulgate rules, issue forms and procedures. Tax instruction booklets will need to be updated and employees will need to be educated as well as the tax community.

### **Legal Analysis :**

SB925 proposes to exempt emergency out-of-state workers deployed to Arkansas in response to a declared emergency from certain State and local taxation. The bill does not prevent "transaction taxes and fees" such as sales tax, motor fuel tax, or other similar levies that occur on a purchase basis.

The bill would allow an exemption from income tax, franchise, tax, registration, and similar requirements for workers who are deployed in response to an emergency declared by the Governor, President, or Director of ADEM, to render services related to "critical infrastructure" as defined in the bill. ADEM has the rule making authority but are required to consult with DFA regarding the provisions that affect state and local tax.