

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB925**

**As Engrossed: 3/12/2015**

**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.**

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**Basic Change :** Sponsor: Senator Files

SB925 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 (ADEM) of the purpose that they are in the state. ADEM will consult with the DFA 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 regulatory and tax obligations.

**Resources Required :**

ADEM and DFA will promulgate rules, issue forms and procedures Tax instruction booklets.

**Time Required :**

Adequate time is provided.

**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, as originally introduced, required an out-of-state business that enters the state for disaster work to submit a statement to ADEM indicating that the business was in the state to assist with disaster recovery. Amendment No. 1 to SB925 modifies the requirement so that a business shall submit a statement only "upon request" from ADEM.