

Department of Finance and Administration

Legislative Impact Statement

Bill: SB663

Bill Subtitle: TO CLARIFY THAT AN ACCOMMODATIONS INTERMEDIARY IS REQUIRED TO COLLECT AND REMIT THE SALES TAX AND TOURISM TAX DUE ON ARRANGEMENTS THE ACCOMMODATIONS INTERMEDIARY MAKES FOR THE SALE OR USE OF AN ACCOMMODATION.

Basic Change :

Sponsor: Senator Files

The bill would amend §§ 26-52-301 and 26-63-402(1) to provide that for clarification of state and local gross receipts (sales) tax and the state tourism tax law, an "accommodations intermediary" is an entity furnishing, making available, or otherwise arranging for the sale or use of a room, suite, condominium, townhouse, rental house, or other accommodation to a transient guest and who must collect and remit the Arkansas taxes.

"Accommodations intermediaries" are defined as the providers of accommodations to transient guests and include all persons other than the actual owner, operator, or manager of a room, suite, condominium, townhouse, rental house, or other accommodation. "Furnishing" an accommodation includes brokering, coordinating, making available for, or otherwise arranging for the sale or use of a room, suite, condominium, townhouse, rental house, or other accommodation by a purchaser. According to the bill, this bill is a clarification and not a change to the law, and therefore the bill would be applied retroactively to January 1, 1999. The Act would be effective 90 days after final adjournment of the 91st General Assembly.

Revenue Impact :

Annual Impact

\$ 765,000 State 6.5% Sales Tax Revenues

\$ 235,000 State 2% Tourism Tax to the Tourism Development Trust Fund

Sales Tax Distribution

\$512,668 --- State General Revenue (4.5%)

\$ 99,685 --- Educational Adequacy (.875% tax)

\$ 56,963 --- Property Tax Relief Trust Fund (.5%)

\$ 14,241--- Conservation Tax (.125%)

\$ 56,963--- Highway Fund (.5%)

\$ 16,830 --- State Central Services

\$ 7,650 --- Constitutional Officers

City and County Sales Taxes - \$300,000

Revenue Impact based on \$168,300,000,000 US Hotel Market in 2017 with an estimated 11% being rented through hotel intermediaries with the result factored to Arkansas based on population share. Non-compliance by hotel intermediaries in collecting the taxes is not considered in the estimate.

Taxpayer Impact :

Entities classified as an "accommodations intermediary", regardless of physical presence in Arkansas, would collect and remit the applicable sales and tourism taxes on the service of furnishing accommodations located in this state to transient guests on a less than month-to-month basis.

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Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Modification to sales and use tax rules along with educating staff and the tax community would be necessary.

Other Comments :

The bill would require accommodations intermediaries to collect Arkansas sales and tourism taxes for sales transactions occurring on and after January 1, 1999. Arkansas state tax procedures require taxpayers to maintain their accounting and tax records for six (6) years being subject to examination and audit by DFA at any reasonable time.

Legal Analysis :

SB663 amends §§ 26-52-301(3)(A) and 26-63-402(1) for gross receipts tax and tourism tax purposes to include an "accommodations intermediary" as an entity furnishing, making available for, or otherwise arranging for the sale or use of a room, suite, condominium, townhouse, rental house, or other accommodation by a purchaser.

SB663 would require all accommodation intermediaries, regardless of whether the business maintained a physical presence in this state, to prepare and collect the applicable sales and use tax along with the tourism tax on the service of furnishing accommodations to transient guests on a less than month-to-month basis.