

Department of Finance and Administration

Legislative Impact Statement

Bill: SJR14

Bill Subtitle: TO CONTINUE THE LEVY OF A ONE-HALF PERCENT SALES AND USE TAX FOR THE STATE'S FOUR-LANE HIGHWAY SYSTEM, COUNTY ROADS, AND CITY STREETS.

Basic Change :

Sponsors:

Senators L. Eads, Bledsoe, Bond, E. Cheatham, L. Chesterfield, J. Cooper, J. English, J. Hendren, Hickey, K. Ingram, B. Johnson, M. Johnson, M. Pitsch, Rice, G. Stubblefield

Representatives Wardlaw, Shepherd, Berry, Brown, Christiansen, Coleman, Crawford, M. Davis, Holcomb, Hollowell, Kelly, Ladyman, Lynch, McNair, Richmond, Rye, Slape, B. Smith, Wooten

Senate Joint Resolution 14 provides for an Amendment to the Arkansas Constitution that would extend the additional sales and use tax of one-half of one percent (0.5%) on taxable sales of tangible personal property, specified digital products, digital codes, and services currently levied under Arkansas Constitutional Amendment 91. The temporary sales and use tax levied under Amendment 91 is used for the state's four-lane highway system, county roads and city streets.

The intent of the proposed Amendment is to continue the sales and use tax after the retirement of the bonds authorized by Amendment 91. The proposed Amendment will require approval of the Arkansas electorate in the general election to be held in November 2020 and if approved, the revenue resulting from the sales and use tax would be special revenue and used for maintaining, repairing, and improving the state's system of highways, county roads, and city streets. The tax proceeds would be distributed in accordance with the Arkansas Highway Revenue Distribution Law with 70% to the State Highway and Transportation Department Fund, 15% to the County Aid Fund and 15% to the Municipal Aid Fund. The sales and use tax levied under the Amendment would not apply to sales of food and food ingredients.

If approved in the November 2020 general election, the taxes levied would be effective on July 1, 2023 unless a written statement certifying repayment of the bonds issued under Amendment 91 has not been filed prior to June 1, 2023 with the Chief Fiscal Officer of the State. If the written statement has not been filed, the tax would be effective on the first day of the first calendar quarter beginning more than thirty (30) days after a written statement as required under Amendment 91 has been filed.

Revenue Impact :

Revenues from Extension of Existing Half-Cent Sales Tax	\$293,700,000
70% State Highways	--- \$205,590,000
15% County Aid Fund	--- \$44,055,000
15% Municipal Aid Fund	--- \$44,055,000

[Revenue impact assumes amendment approved by the Arkansas electorate and based upon 12 months of collections.]

Taxpayer Impact :

No change in the payment of the current state sales and use tax of one-half of one percent to support Arkansas highways, city streets and county roads.

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Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Updates to the State's database to continue this tax would be necessary.

Other Comments :

None.

Legal Analysis :

The resolution proposes an amendment to the Arkansas Constitution levying a new 0.5% sales and use tax. This amendment will be presented for a vote of the people at the next general election. The new taxes will apply to all sales subject to the current state sales and use tax, except food. The proceeds from this new tax levy will be distributed to the Arkansas Highway Department, cities, and counties after first deducting amounts for the State Central Services Fund and the Constitutional Officer's Fund. The net proceeds will be distributed using the 70%-15%-15% distribution applicable to most other highway revenues. If approved by the people, the new sales and use taxes are effective once the current 0.5% sales and use tax levied by Amendment 91 ends. If the Chief Fiscal Officer of the State is notified prior to June 1, 2023 that the bonds issued under Amendment 91 have been paid, the new taxes will be effective on and after July 1, 2023. If that notification is received after June 1, 2023, the new taxes will be effective on the first day of a calendar quarter beginning more than 30 days after that notification is received. The revenues from these new taxes are to be used for highway maintenance, repairs, and improvements.