

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB459**

**Bill Subtitle: TO EXEMPT THE PURCHASE OF A USED MOTOR VEHICLE FROM SALES AND USE TAX.**

---

### Basic Change :

**Sponsor: Sen. T. Garner**

SB459 amends § 26-52-510 to exempt from sales and use tax all sales of used motor vehicles. Under current law, no sales or use tax is due on the sale of a new or used motor vehicle, trailer, or semitrailer if the selling price is less than \$4,000. SB459 exempts all sales of used motor vehicles from sales and use tax regardless of selling price.

The bill would become effective on the first day of the second calendar month following the effective date of the act, which is anticipated to be September 1, 2021, for purposes of the Revenue Impact below.

### Revenue Impact :

#### **FY2022**

**Total Approximate State Sales and Use Tax Loss** **\$ -197,350,000**

(Estimated Effective Date 9/1/21 --- 9 months reduced tax collection)

General Revenue - 4.5%	\$-132,391,060
Property Tax Relief - .5%	\$-14,710,118
Conservation Fund - .125%	\$-3,677,529
Educational Adequacy Fund - .875%	\$-25,742,706
Highway Fund - .5%	\$-14,710,118
Educational Excellence Trust Fund -	\$0
Educational Adequacy (GR Transfer) -	\$0
State Central Services -	\$-4,144,337
Constitutional Officers -	\$-1,973,494

**Total Approximate Local City and County Sales and Use Tax Loss** **\$ -10,900,000**

#### **FY2023**

**Total Approximate State Sales and Use Tax Loss** **\$ -263,130,000**

(12 months reduced tax collections on used motor vehicles.)

General Revenue - 4.5%	-\$156,146,430
Property Tax Relief - .5%	-\$19,613,490
Conservation Fund - .125%	-\$4,903,373
Educational Adequacy Fund - .875%	-\$34,323,608
Highway Fund - .5%	-\$19,613,490
Educational Excellence Trust Fund -	-\$18,720,096

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB459**

**Bill Subtitle: TO EXEMPT THE PURCHASE OF A USED MOTOR VEHICLE FROM SALES AND USE TAX.**

---

Educational Adequacy (GR Transfer) -	-\$1,654,888
State Central Services -	-\$5,525,782
Constitutional Officers -	-\$2,631,325

**Total Approximate Local City and County Sales and Use Tax Loss** **\$ -14,524,699**

[ Statistical data derived from State of Arkansas software reporting for FY2020. FY2020 State taxes collected on used motor vehicles was approximately \$263.13 million. All numbers were calculated based on the assumption that purchases of these vehicles remains constant. City and county sales and use taxes apply to only the first \$2,500 of the sale. ]

Summary of Revenue Impact:

- FY2022 State Sales & Use tax loss of approximately \$197.35 million with 327,449 motor vehicles exempt from sales and use tax.
- FY2023 State Sales & Use tax loss of approximately \$263.13 million with 436,598 motor vehicles exempt from sales and use tax.

### **Taxpayer Impact :**

A taxpayer that purchases a used motor vehicle will not pay sales or use tax on the purchase.

### **Resources Required :**

Computer programming, manual updates and employee training.

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

Computer programs and training manuals will need to be updated. Department employees and State Revenue Office employees will need to be educated on changes as well as the taxpayer community.

### **Other Comments :**

None.

### **Legal Analysis :**

SB459 creates a new sales and use tax exemption for sales of used motor vehicles, but only amends the sales tax code under § 26-52-510. While sales tax exemptions are equally applicable to use tax, the language in § 26-52-510 corresponds with § 26-53-126 within the use tax provisions of the Arkansas Compensating Tax Act. For purposes of consistency, the bill likely should make the

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB459**

**Bill Subtitle: TO EXEMPT THE PURCHASE OF A USED MOTOR VEHICLE FROM SALES AND USE TAX.**

---

corresponding changes to the use tax provisions in § 26-53-126.