

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas  
2 85th General Assembly  
3 Regular Session, 2005  
4

# A Bill

SENATE BILL 1171

5 By: Senator Hill  
6 By: Representative Thomason  
7

## For An Act To Be Entitled

8  
9  
10 AN ACT TO PROVIDE CONSISTENCY WITH THE  
11 STREAMLINED SALES TAX AGREEMENT; TO ALLOW A  
12 REFUND REQUEST WHEN THE BAD DEBT DEDUCTION  
13 EXCEEDS THE SALES TAX DUE; TO REPEAL THE SALES  
14 TAX SOURCING RULES FOR FLORISTS; TO PROVIDE  
15 RELIEF FOR SELLERS THAT FOLLOW THE REQUIREMENTS  
16 OF THE DIRECTOR IN COLLECTING SALES AND USE TAX;  
17 TO PROVIDE A REBATE FOR LOCAL TAX PAID ON SINGLE  
18 TRANSACTIONS OVER TWO THOUSAND FIVE HUNDRED  
19 DOLLARS (\$2,500); TO ALLOW AN EXEMPTION FOR FOOD  
20 AND OVER-THE-COUNTER-DRUGS IN CERTAIN CITIES; AND  
21 FOR OTHER PURPOSES.  
22

## Subtitle

23  
24 AN ACT TO PROVIDE CONSISTENCY WITH THE  
25 STREAMLINED SALES TAX AGREEMENT; TO  
26 ALLOW A REFUND REQUEST ON BAD DEBTS; TO  
27 REPEAL THE SALES TAX SOURCING RULES FOR  
28 FLORISTS; AND TO PROVIDE SALES TAX  
29 COLLECTION RELIEF TO SELLERS.  
30  
31

32 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
33

34 SECTION 1. Arkansas Code § 26-52-304(a), pertaining to the tax levied  
35 on sales of computer software and maintenance of computer hardware, is  
36 amended to read as follows:



1 (a) The excise tax levied by the Arkansas Gross Receipts Act, § 26-52-  
2 101 et seq., and by any act supplemental thereto, is levied on gross receipts  
3 or gross proceeds received from the following:

4 (1)(A) Sales of computer software, which shall be taxed as sales  
5 of tangible personal property.

6 (B) As used in this section:

7 (i) "Computer" means an electronic device that  
8 accepts information in digital or similar form and manipulates it for a  
9 result based on a sequence of instructions;

10 (ii)(a) "Computer software" means a set of coded  
11 instructions designed to cause a computer or automatic data processing  
12 equipment to perform a task.

13 (b) Software "Computer software" shall include  
14 tapes, disks, cards, or other devices or materials which contain instructions  
15 for a computer and dictate different operations or functions to be performed  
16 by the computer+.

17 (c) "Computer software" shall not include  
18 software that is delivered electronically or by load and leave;

19 (iii) "Delivered electronically" means delivered to  
20 the purchaser by means other than tangible storage media; and

21 (iv) "Load and leave" means delivery to the  
22 purchaser by use of a tangible storage media where the tangible storage media  
23 is not physically transferred to the purchaser; and

24 (2) Service of repairing or maintaining computer equipment or  
25 hardware in any form.

26  
27 SECTION 2. Arkansas Code § 26-52-309 [Effective until contingency in  
28 Acts 2003, No. 1273, § 88 is met], as it appears on page 34 of Volume 27A of  
29 the Arkansas Code, is repealed.

30 ~~26-52-309. Deduction for bad debts generally.~~

31 ~~(a) In computing the amount of tax due under the Arkansas Gross~~  
32 ~~Receipts Act, § 26-52-101 et seq., and any act supplemental thereto,~~  
33 ~~taxpayers may deduct bad debts from the total amount upon which the tax is~~  
34 ~~calculated for any report. Any deduction taken or refund paid which is~~  
35 ~~attributed to bad debts shall not include interest.~~

36 ~~(b)(1) For purposes of this section, "bad debt" means any portion of a~~

1 ~~debt for an amount which a taxpayer has reported as taxable which the~~  
 2 ~~taxpayer legally claims as a bad debt deduction for federal income tax~~  
 3 ~~purposes.~~

4 ~~(2) Bad debts include, but are not limited to, worthless checks,~~  
 5 ~~worthless credit card payments, and uncollectible credit accounts.~~

6 ~~(3) Bad debts do not include financing charges or interest,~~  
 7 ~~uncollectible amounts on property that remain in the possession of the~~  
 8 ~~taxpayer or vendor until the full purchase price is paid, expenses incurred~~  
 9 ~~in attempting to collect any debt, debts sold or assigned to third parties~~  
 10 ~~for collection, and repossessed property.~~

11 ~~(c) Bad debts incurred for sales made prior to November 9, 1983, shall~~  
 12 ~~not be deducted.~~

13 ~~(d) Bad debts must be deducted within three (3) years of the date of~~  
 14 ~~the sale for which the debt was incurred.~~

15 ~~(e) If a deduction is taken for a bad debt and the taxpayer~~  
 16 ~~subsequently collects the debt in whole or in part, the tax on the amount so~~  
 17 ~~collected shall be paid and reported on the next return due after the~~  
 18 ~~collection.~~

19  
 20 SECTION 3. Arkansas Code § 26-52-309 [Effective when contingency in  
 21 Acts 2003, No. 1273, § 88 is met], as it appears on page 28 of the 2003  
 22 Supplement to Volume 27A of the Arkansas Code, is amended to read as follows:

23 26-52-309. Deduction for bad debts generally. ~~[Effective when~~  
 24 ~~contingency in Acts 2003, No. 1273, § 88 is met.]~~

25 (a)(1) In computing the amount of tax due under the Arkansas Gross  
 26 Receipts Act of 1941, § 26-52-101 et seq., and any act supplemental thereto,  
 27 a taxpayer may deduct a bad debt from the total amount upon which the tax is  
 28 calculated on the return for the period during which the bad debt is written  
 29 off as uncollectible in the taxpayer's books and records and is eligible to  
 30 deduct the bad debt for federal income tax purposes.

31 (2) Any deduction taken or refund paid that is attributed to a  
 32 bad debt shall not include interest.

33 (b)(1)(A) For purposes of this section, "bad debt" means any portion  
 34 of a debt for an amount that a taxpayer has reported as taxable which the  
 35 taxpayer legally claims as a bad debt deduction for federal income tax  
 36 purposes.

1 (B) A taxpayer who is not required to file federal income  
2 tax returns may deduct a bad debt on a return filed for the period in which  
3 the bad debt is written off as uncollectible in the taxpayer's books and  
4 records and would be eligible for a bad debt deduction for federal income tax  
5 purposes if the taxpayer was required to file a federal income tax return.

6 (2) Bad debts include, but are not limited to, worthless checks,  
7 worthless credit card payments, and uncollectible credit accounts.

8 (3) Bad debts do not include financing charges or interest,  
9 uncollectible amounts on property that remain in the possession of the  
10 taxpayer or vendor until the full purchase price is paid, expenses incurred  
11 in attempting to collect any debt, debts sold or assigned to third parties  
12 for collection, and repossessed property.

13 (c) Bad debts incurred for sales made before November 9, 1983, shall  
14 not be deducted.

15 ~~(d) Bad debts must be deducted within three (3) years of the date of~~  
16 ~~the sale for which the debt was incurred.~~

17 ~~(e)~~(d) If a deduction is taken for a bad debt and the taxpayer  
18 subsequently collects the debt in whole or in part, the tax on the amount so  
19 collected shall be paid and reported on the return filed for the period in  
20 which the collection is made.

21 ~~(f)~~~~(1)~~(e)(1) When the filing responsibilities have been assumed by a  
22 Certified Service Provider, as provided in the Uniform Sales and Use Tax  
23 Administration Act, § 26-20-101 et seq., the service provider will be allowed  
24 to claim on behalf of the taxpayer any bad debt allowance provided by this  
25 section.

26 (2) The Certified Service Provider must credit or refund the  
27 full amount of any bad debt allowance or refund received to the taxpayer.

28 (f) When the amount of bad debt exceeds the amount of taxable sales  
29 for the period during which the bad debt is written off, a refund claim may  
30 be filed within the time allowed by law for filing tax refund claims that  
31 shall be measured from the due date of the return on which the bad debt could  
32 first be claimed.

33 (g) For the purpose of reporting a payment received on a previously  
34 claimed bad debt, any payments made on a debt or account are applied first  
35 proportionally to the taxable price of the property or service and the sales  
36 and use tax on the property or service, and then to interest, service

1 charges, and any other charges.

2 (h) If the books and records of the taxpayer claiming the bad debt  
 3 allowance support an allocation of the bad debt among different states,  
 4 allocation is permitted.

5  
 6 SECTION 4. Arkansas Code § 26-52-427 is amended to read as follows:

7 26-52-427. Property purchased for use in performance of construction  
 8 contract.

9 (a) ~~Tangible~~ Contractors that purchase tangible personal property  
 10 which becomes a recognizable part of a completed structure or improvement to  
 11 real property and which is purchased for use or consumption in the  
 12 performance of construction contracts shall be ~~exempt from~~ entitled to a  
 13 rebate on any additional gross receipts tax or compensating (use) tax levied  
 14 by the state or any city or county if:

15 (1) when the The construction contract for which the property  
 16 was purchased is entered into prior to the effective date of the levy of the  
 17 additional state, city, or county gross receipts tax or compensating (use)  
 18 tax; and

19 (2) The contractor paid the additional tax to the seller.

20 (b) For the purposes of this section, "construction contract" means a  
 21 contract to construct, manage, or supervise the construction, erection, or  
 22 substantial modification of a building or other improvement or structure  
 23 affixed to real property. The term "construction contract" shall not mean  
 24 contract to produce tangible personal property.

25 (c) The ~~exemption~~ rebate provided by this section shall apply to  
 26 tangible personal property purchased within five (5) years from the effective  
 27 date of the levy of the additional state, city, or county gross receipts tax  
 28 or compensating (use) tax.

29 (d) The ~~exemption~~ rebate provided by this section shall not apply to  
 30 cost-plus contracts which allow the contractor to pass any additional tax on  
 31 to the principal as a part of the contractor's costs.

32 (e) The Director of the Department of Finance and Administration shall  
 33 promulgate rules and prescribe forms for claiming a rebate as provided by  
 34 this section.

35  
 36 SECTION 5. Arkansas Code § 26-52-433 [Effective until contingency in

1 Acts 2003, No. 1273, § 88 is met], as it appears on page 50 of the 2003  
2 Supplement to Volume 27A of the Arkansas Code, is repealed.

3 ~~26-52-433. Adaptive medical equipment and disposable medical supplies,  
4 {Effective until contingency in Acts 2003, No. 1273, § 88 is met.}~~

5 ~~(a) Gross receipts or gross proceeds derived from the rental, sale, or  
6 repair of adaptive medical equipment prescribed by a physician and disposable  
7 medical supplies prescribed by a physician shall be exempt from all state and  
8 local sales and use taxes.~~

9 ~~(1) This exemption shall only apply to adaptive medical  
10 equipment and disposable medical supplies prescribed for a specific patient  
11 prior to the sale.~~

12 ~~(2) This exemption shall not apply to items purchased by  
13 physicians, hospitals, nursing homes, or long-term care facilities for use by  
14 their patients or residents.~~

15 ~~(b) For the purpose of this section, "adaptive medical equipment and  
16 disposable medical supplies" shall include, but not be limited to, the  
17 following:~~

- 18 ~~(1) Wheelchairs;~~
- 19 ~~(2) Leg braces;~~
- 20 ~~(3) Wheelchair lifts;~~
- 21 ~~(4) Ostomy, urostomy, and colostomy supplies;~~
- 22 ~~(5) Raised toilet seats;~~
- 23 ~~(6) Catheters;~~
- 24 ~~(7) Wheelchair batteries, tires, cushions, and supplies;~~
- 25 ~~(8) Enemas, suppositories, and laxatives used in routine bowel  
26 care;~~
- 27 ~~(9) Flexor wrist splints;~~
- 28 ~~(10) Trapeze bars;~~
- 29 ~~(11) Grab bars and hand rails;~~
- 30 ~~(12) Wheelchair adaptive devices;~~
- 31 ~~(13) Hospital beds and adaptive devices;~~
- 32 ~~(14) Patient lifts;~~
- 33 ~~(15) Orthopedic shoes and devices such as shoe lifts and  
34 inserts;~~
- 35 ~~(16) Walkers;~~
- 36 ~~(17) Crutches;~~

- ~~(18) Automobile hand controls;~~
- ~~(19) Shower benches and chairs;~~
- ~~(20) Disposable undergarments and linen savers;~~
- ~~(21) Prosthetics;~~
- ~~(22) Braille writers, large print aids, and visual and communication aids for those who are legally blind;~~
- ~~(23) Hearing aids;~~
- ~~(24) Telecommunications devices and other communication devices for the deaf, hearing impaired, and others with communicative disorders; and~~
- ~~(25) Speech devices for those with laryngectomies.~~

~~(c) For the purpose of this section, "physician" means a person licensed under § 17-95-401 et seq.~~

SECTION 6. Arkansas Code § 26-52-433 [Effective when contingency in Acts 2003, No. 1273, § 88 is met], as it appears on page 51 of the 2003 Supplement to Volume 27A of the Arkansas Code, is amended as follows:

26-52-433. Durable medical equipment, mobility-enhancing equipment, prosthetic devices, and disposable medical supplies. ~~{Effective when contingency in Acts 2003, No. 1273, § 88 is met.}~~

(a)(1) Gross receipts or gross proceeds derived from the rental, sale, or repair of durable medical equipment prescribed by a physician, mobility-enhancing equipment prescribed by a physician, prosthetic devices prescribed by a physician, and disposable medical supplies prescribed by a physician shall be exempt from all state and local sales and use taxes.

(2) This exemption shall apply only to durable medical equipment, mobility-enhancing equipment, prosthetic devices, and disposable medical supplies prescribed for a specific patient before the sale.

(3) This exemption shall not apply to items purchased by physicians, hospitals, nursing homes, or long-term care facilities for use by their patients or residents.

(b) For the purpose of this section:

~~(1)(A) "Durable medical equipment, mobility-enhancing equipment, and disposable medical supplies" shall include, but not be limited to, the following:~~

- ~~(i) Wheelchairs;~~
- ~~(ii) Leg braces;~~

~~(iii) Wheelchair lifts;~~  
~~(iv) Ostomy, urostomy, and colostomy supplies;~~  
~~(v) Raised toilet seats;~~  
~~(vi) Catheters;~~  
~~(vii) Wheelchair batteries, tires, cushions, and  
supplies;~~  
~~(viii) Enemas, suppositories, and laxatives used in  
routine bowel care;~~  
~~(ix) Flexor wrist splints;~~  
~~(x) Trapeze bars;~~  
~~(xi) Grab bars and hand rails;~~  
~~(xii) Wheelchair adaptive devices;~~  
~~(xiii) Hospital beds and adaptive devices;~~  
~~(xiv) Patient lifts;~~  
~~(xv) Orthopedic shoes and devices such as shoe lifts  
and inserts;~~  
~~(xvi) Walkers;~~  
~~(xvii) Crutches;~~  
~~(xviii) Automobile hand controls;~~  
~~(xix) Shower benches and chairs;~~  
~~(xx) Disposable undergarments and linen savers;~~  
~~(xxi) Prosthetics;~~  
~~(xxii) Braille writers, large print aids, and visual  
and communication aids for those who are legally blind;~~  
~~(xxiii) Hearing aids;~~  
~~(xxiv) Telecommunications devices and other  
communication devices for the deaf, hearing impaired, and others with  
communicative disorders; and~~  
~~(xxv) Speech devices for those with laryngectomies;~~

(1) "Disposable medical supplies" shall include, but not be limited to, the following:

- (A) Ostomy, urostomy, and colostomy supplies;  
(B) Catheters;  
(C) Enemas, suppositories, and laxatives used in routine  
bowel care; and  
(D) Disposable undergarments and linen savers;



1           ~~(B)~~(2)(A) "Durable medical equipment" means equipment, including  
 2 repair and replacement parts for the equipment, that:

- 3                           (i) Can withstand repeated use;
- 4                           (ii) Is primarily and customarily used to serve a  
 5 medical purpose;
- 6                           (iii) Generally is not useful to a person in the  
 7 absence of illness or injury; and
- 8                           (iv) Is not worn in or on the body.

9                           (B) "Durable medical equipment" does not include  
 10 "mobility-enhancing equipment";

11           ~~(2)(A)~~(3)(A) "Mobility-enhancing equipment" means equipment,  
 12 including repair and replacement parts for the equipment, that:

- 13                           ~~(B) "Mobility-enhancing equipment" does not include~~  
 14 ~~"durable medical equipment" that:~~
- 15                                   (i) Is primarily and customarily used to provide or  
 16 increase the ability to move from one place to another and which is  
 17 appropriate for use either in a home or a motor vehicle;
- 18                                   (ii) Is not generally used by persons with normal  
 19 mobility; and
- 20                                   (iii) Does not include any motor vehicle or  
 21 equipment on a motor vehicle normally provided by a motor vehicle  
 22 manufacturer.

23                           (B) "Mobility-enhancing equipment" does not include  
 24 "durable medical equipment";

25           ~~(3)~~(4) "Physician" means a person licensed under § 17-95-401 et  
 26 seq.; and

27           ~~(4)(A)~~(5)(A) ~~"Prosthetics" means~~ "Prosthetic device" means a  
 28 replacement, corrective, or supportive ~~devices~~ device, including repair and  
 29 replacement parts for ~~prosthetics~~ the device, worn on or in the body to:

- 30                                   (i) Artificially replace a missing portion of the  
 31 body;
- 32                                   (ii) Prevent or correct physical deformity or  
 33 malfunction; or
- 34                                   (iii) Support a weak or deformed portion of the  
 35 body.

36                           ~~(B) "Prosthetics"~~ "Prosthetic device" does not include

1 corrective eyeglasses, contact lenses, and dental prostheses.

2  
3 SECTION 7. Arkansas Code § 26-52-501(b), pertaining to the preparation  
4 of returns and payment of tax, is amended as follows:

5 (b)(1) For the purpose of ascertaining the amount of tax payable under  
6 this act, it shall be the duty of all taxpayers on or before the twentieth  
7 day of each month to deliver to the Director of the Department of Finance and  
8 Administration, upon forms prescribed and furnished by him, returns ~~under~~  
9 ~~oath~~ showing the total ~~combined gross receipts or gross proceeds~~ tax due  
10 derived from all taxable sales ~~and the total combined gross receipts or gross~~  
11 ~~proceeds derived from all nontaxable sales~~ during the preceding ~~calendar~~  
12 calendar month.

13 (2) The returns shall show such further information as the  
14 director may require to enable him to compute correctly and collect the tax  
15 levied.

16 (3) Every taxpayer, whether an individual, corporation,  
17 partnership, limited liability company, or other entity, shall file a single  
18 report combining all ~~gross receipts or gross proceeds~~ taxes due derived from  
19 sales made from all Arkansas locations of the taxpayer's business which are  
20 registered and permitted with the director under the same federal employer's  
21 identification number or social security number.

22  
23 SECTION 8. Effective January 1, 2006, Arkansas Code § 26-52-507 is  
24 repealed.

25 ~~26-52-507. Florists transmitting orders.~~

26 ~~(a) The gross receipts tax levied by this state shall be due and~~  
27 ~~collected by all florists who transmit any order by telegraph, telephone, or~~  
28 ~~other means of communication for flowers, floral arrangements, potted plants,~~  
29 ~~or any other article common to the florist business for delivery to any other~~  
30 ~~place within or without this state.~~

31 ~~(b) The gross receipts tax collected by the florist transmitting the~~  
32 ~~order by telegraph, telephone, or other means of communication shall be the~~  
33 ~~only tax collected on that order regardless of whether the order originated~~  
34 ~~within or without this state.~~

35  
36 SECTION 9. Arkansas Code § 26-52-517 is amended to read as follows:

1 (a)(1) The sales tax liability for all sales of tangible personal  
2 property is upon the seller unless, at or before the time of sale, ~~the seller~~  
3 ~~takes in good faith a certificate of resale from the holder of a valid~~  
4 ~~retailer's permit who is regularly engaged in the established business of~~  
5 ~~reselling property of the type being purchased.~~

6 ~~(2) The resale certificate must:~~

7 ~~(A) Contain the purchaser's sales tax permit number;~~

8 ~~(B) State that the purchase is for resale; and~~

9 ~~(C) Contain any additional information as the director may~~  
10 ~~require. the purchaser claims an exemption and the seller obtains identifying~~  
11 ~~information of the purchaser and the reason the purchaser is claiming a tax~~  
12 ~~exemption in the manner prescribed by the Director of the Department of~~  
13 ~~Finance and Administration.~~

14 (b)(1) Where tangible personal property is purchased tax-free pursuant  
15 to subsection (a) of this section and the tangible personal property is not  
16 resold by the purchaser, the purchaser is solely liable for reporting and  
17 remitting to the director any tax which should have been paid at the time of  
18 purchase.

19 (2) Use or disposition of the property other than for resale  
20 shall be deemed a withdrawal from stock for all purposes, including reporting  
21 and remittance of the tax due, and the tax shall be due from the purchaser at  
22 the time of the withdrawal from stock.

23 (c)(1) The director may provide sale for resale certificates to assist  
24 retailers in properly accounting for nontaxable sales of tangible personal  
25 property.

26 (2) Such certificates must be completed as to the information  
27 required in order to be valid and cannot be used to establish any other  
28 exemption from sales or use tax.

29 (d) Any person repeatedly selling the same type of property to the  
30 same purchaser for resale may accept a blanket certificate covering more than  
31 one (1) transaction.

32 (e) ~~The liability for the tax is not transferred from the seller to~~  
33 ~~the purchaser if the seller has not accepted a valid exemption certificate in~~  
34 ~~good faith. A seller that follows the exemption requirements as prescribed~~  
35 ~~by the Director of the Department of Finance and Administration is relieved~~  
36 ~~from any tax otherwise applicable if it is determined that the purchaser~~

1 improperly claimed an exemption.

2 ~~(f) If the seller has actual knowledge of information or circumstances~~  
 3 ~~indicating that it is unlikely that the property will be resold, then, in~~  
 4 ~~order to act in good faith, the seller must make further inquiry to determine~~  
 5 ~~the facts supporting the certificate of resale. The relief provided to a~~  
 6 ~~seller in subsection (e) of this section does not apply to a seller that~~  
 7 ~~fraudulently fails to collect the tax or solicits purchasers to participate~~  
 8 ~~in the unlawful claim of an exemption.~~

9  
 10 SECTION 10. Arkansas Code § 26-52-519 [As enacted by Acts 1997, No.  
 11 391] is repealed.

12 ~~26-52-519. Liability of sellers for collection of tax—Good Faith~~  
 13 ~~reliance on claim or documentation of purchaser. [As enacted by Acts 1997,~~  
 14 ~~No. 391.]~~

15 ~~(a) The sales tax liability for all sales of tangible personal~~  
 16 ~~property or taxable services is upon the seller unless, at or before the time~~  
 17 ~~of sale, the seller relies in good faith on a claim by the purchaser or~~  
 18 ~~documentation provided by the purchaser that the purchaser is entitled to a~~  
 19 ~~sales tax exemption.~~

20 ~~(b) If the seller has actual knowledge of information or circumstances~~  
 21 ~~indicating that it is unlikely that the purchaser is entitled to a sales tax~~  
 22 ~~exemption and exempts the purchase, the seller has not acted in good faith.~~

23 ~~(c) If the seller has acted in good faith, the liability for the tax~~  
 24 ~~is transferred to the purchaser who shall be liable for tax, penalty and~~  
 25 ~~interest due on the purchase.~~

26  
 27 SECTION 11. Arkansas Code Title 26, Chapter 52, Subchapter 5 is  
 28 amended to add an additional section to read as follows:

29 26-52-523. Rebates on local sales and use tax.

30 (a) As used in this section:

31 (1) “Qualifying purchases” means purchases of tangible personal  
 32 property or taxable services for which the taxpayer may take a business  
 33 expense deduction pursuant to 26 U.S.C. § 162, as in effect on January 1,  
 34 2005.

35 (2) “Single transaction” means any sale or sales of tangible  
 36 personal property or taxable services reflected on a single invoice, receipt,

1 or statement on which an aggregate sales or use tax amount has been reported  
 2 and remitted to the state.

3 (b) Taxpayers that pay any municipality or county sales or use taxes  
 4 in excess of the tax due on the first two thousand five hundred dollars  
 5 (\$2,500) of gross receipts or gross proceeds from the sales price of the sale  
 6 of tangible personal property or taxable services shall be entitled to a  
 7 credit or rebate of the excess amount of city and county sales or use taxes  
 8 paid on each single transaction.

9 (c)(1) Taxpayers that are required by § 26-52-501, § 26-52-509, or §  
 10 26-53-125 to file sales or use tax returns may file an application for rebate  
 11 with the Director of the Department of Finance and Administration in  
 12 connection with the sales and use tax return.

13 (2) Taxpayers that otherwise qualify for a credit or rebate as  
 14 provided in this section but are not required to file returns as provided in  
 15 subdivision (c)(1) of this section may file applications for a credit or  
 16 rebate with the director.

17 (d) No rebate shall be paid for any application filed after the  
 18 earlier of:

19 (1) The expiration of the limitations period for refunds in §  
 20 26-18-306(i)(1); or

21 (2) Sixty (60) days following the expiration of the local sales  
 22 and use tax for which the credit or refund is requested.

23 (e) The director may promulgate rules to administer this section,  
 24 including providing an administratively feasible method for filing the  
 25 application for rebate and the necessary forms.

26 (f) This section shall apply to all local sales and use taxes  
 27 collected by the director pursuant to any state tax law authorizing counties  
 28 and municipalities to levy sales and use taxes.

29  
 30 SECTION 12. Arkansas Code Title 26, Chapter 52, Subchapter 5 is  
 31 amended to add an additional section to read as follows:

32 26-52-524. Collection of local tax.

33 (a)(1) The Director of the Department of Finance and Administration  
 34 shall maintain a record of the total amount of tax collected pursuant to the  
 35 provisions of Arkansas law authorizing county and municipal sales and use  
 36 taxes.

1           (2) Prior to depositing the revenues with the Treasurer of  
2 State, the director may retain an amount not to exceed five percent (5%) of  
3 the total amount received from the sales and use tax levied by each county  
4 and municipality to be used by the director to fund the rebates made  
5 according to § 26-52-523.

6           (b) Following the sixtieth day after the end of each calendar quarter,  
7 the director shall deposit with the Treasurer of State the balance of the  
8 revenues retained under subdivision (a)(2) of this section during that  
9 calendar quarter that were not required to make rebates as provided by § 26-  
10 52-523.

11  
12           SECTION 13. Arkansas Code § 26-52-605(a), pertaining to the border  
13 city tax, is amended to add a new subsection to read as follows:

14           (a) The governing body of an Arkansas border city or town, as  
15 described in § 26-52-602, by ordinance, may call a special election, or, upon  
16 petition of not less than ten percent (10%) of the qualified electors of the  
17 Arkansas border city or town, as determined by the number of votes cast in  
18 the Arkansas border city or town for all candidates for election to the  
19 Office of Governor of Arkansas in the immediately preceding general election,  
20 filed with the city clerk of the city or town petitioning that a special  
21 election be called, a special election shall be called in the city or town on  
22 the question of the imposition of an additional state tax of one percent (1%)  
23 to be administered and collected as a local sales tax upon the gross receipts  
24 or gross proceeds derived from taxable sales within the border city or town  
25 under the provisions of the Arkansas Gross Receipts Act, § 26-52-101 et seq.,  
26 and the proceeds derived therefrom shall benefit the State of Arkansas in  
27 lieu of the state income tax law applying to the net taxable income derived  
28 by individuals who are residents of the border city or town.

29  
30           SECTION 14. Arkansas Code § 26-52-607 is amended to read as follows:  
31           26-52-607. Levy of use tax.

32           In all cities in this state divided by a street state line from an  
33 incorporated city or town in an adjoining state which does not impose an  
34 income tax that have adopted a one percent (1%) state sales tax pursuant to §  
35 26-52-601, et seq., there is also levied an additional one percent (1%) state  
36 use tax which shall be administered, collected, and enforced as a local tax

1 and in accordance with § 26-53-101, et seq.

2

3 SECTION 15. Arkansas Code § 26-53-109(a), pertaining to the tax on the  
4 use, storage, or distribution of computer software, is amended to read as  
5 follows:

6 (a) The excise tax levied by the Arkansas Compensating Tax Act, § 26-  
7 53-101 et seq., and by any act supplemental thereto, is levied on the  
8 privilege of storing, using, distributing, or consuming within this state any  
9 of the following:

10 (1)(A) ~~computer~~ Computer software which shall be treated as a  
11 use, storage, distribution, or consumption of tangible personal property for  
12 purposes of tax.

13 (B) As used in this section:

14 (i) "Computer" means an electronic device that  
15 accepts information in digital or similar form and manipulates it for a  
16 result based on a sequence of instructions; and

17 (ii)(a) "Computer software" means a set of coded  
18 instructions designed to cause a computer or automatic data processing  
19 equipment to perform a task.

20 (b) Computer software shall include tapes,  
21 disks, cards, or other devices or materials which contain instructions for a  
22 computer and dictate different operations or functions to be performed by the  
23 computer.

24 (c) "Computer software" shall not include  
25 software that is delivered electronically or by load and leave;

26 (iii) "Delivered electronically" means delivered to  
27 the purchaser by means other than tangible storage media; and

28 (iv) "Load and leave" means delivery to the  
29 purchaser by use of a tangible storage media where the tangible storage media  
30 is not physically transferred to the purchaser; and

31 (2) Service of repairing or maintaining computer equipment or  
32 hardware in any form.

33

34 SECTION 16. Arkansas Code § 26-53-111 [Effective until contingency in  
35 Acts 2003, No. 1273, § 88 is met], as it appears on page 143 of Volume 27A of  
36 the Arkansas Code, is repealed.

1           ~~26-53-111. Deduction for bad debts.~~

2           ~~(a) In computing the amount of tax due under the Arkansas Compensating~~  
 3 ~~Tax Act, § 26-53-101 et seq., and any act supplemental thereto, taxpayers may~~  
 4 ~~deduct bad debts from the total amount upon which the tax is calculated for~~  
 5 ~~any report. Any deduction taken or refund paid which is attributed to bad~~  
 6 ~~debts shall not include interest.~~

7           ~~(b)(1) For purposes of this section, "bad debt" means any portion of a~~  
 8 ~~debt for an amount which a taxpayer has reported as taxable which the~~  
 9 ~~taxpayer legally claims as a bad debt deduction for federal income tax~~  
 10 ~~purposes.~~

11           ~~(2) Bad debts include, but are not limited to, worthless checks,~~  
 12 ~~worthless credit card payments, and uncollectible credit accounts.~~

13           ~~(3) Bad debts do not include financing charges or interest,~~  
 14 ~~uncollectible amounts on property that remain in the possession of the~~  
 15 ~~taxpayer or vendor until the full purchase price is paid, expenses incurred~~  
 16 ~~in attempting to collect any debt, debts sold or assigned to third parties~~  
 17 ~~for collection, and repossessed property.~~

18           ~~(c) Bad debts incurred for sales made prior to November 9, 1983, shall~~  
 19 ~~not be deducted.~~

20           ~~(d) Bad debts must be deducted within three (3) years of the date of~~  
 21 ~~the sale for which the debt was incurred.~~

22           ~~(e) If a deduction is taken for a bad debt and the taxpayer~~  
 23 ~~subsequently collects the debt in whole or in part, then the tax on the~~  
 24 ~~amount so collected shall be paid and reported on the next return due after~~  
 25 ~~the collection.~~

26  
 27           SECTION 17. Arkansas Code 26-53-111 [Effective when contingency in  
 28 Acts 2003, No. 1273, § 88 is met], as it appears on page 86 of the 2003  
 29 Supplement to Volume 27A of the Arkansas Code, is amended to read as follows:

30           ~~26-53-111. Deduction for bad debts. [Effective when contingency in~~  
 31 ~~Acts 2003, No. 1273, § 88 is met.]~~

32           (a)(1) In computing the amount of tax due under the Arkansas  
 33 Compensating Tax Act of 1949, § 26-53-101 et seq., and any act supplemental  
 34 thereto, taxpayers may deduct bad debts from the total amount upon which the  
 35 tax is calculated on the return for the period during which the bad debt is  
 36 written off as uncollectible in the taxpayer's books and records and is



1 eligible to be deducted for federal income tax purposes.

2 (2) Any deduction taken or refund paid that is attributed to bad  
3 debts shall not include interest.

4 (b)(1)(A) For purposes of this section, "bad debt" means any portion  
5 of a debt for an amount that a taxpayer has reported as taxable which the  
6 taxpayer legally claims as a bad debt deduction for federal income tax  
7 purposes.

8 (B) A taxpayer who is not required to file federal income  
9 tax returns may deduct a bad debt on a return filed for the period in which  
10 the bad debt is written off as uncollectible in the taxpayer's books and  
11 records and would be eligible for a bad debt deduction for federal income tax  
12 purposes if the taxpayer was required to file a federal income tax return.

13 (2) Bad debts include, but are not limited to, worthless checks,  
14 worthless credit card payments, and uncollectible credit accounts.

15 (3) Bad debts do not include financing charges or interest,  
16 uncollectible amounts on property that remain in the possession of the  
17 taxpayer or vendor until the full purchase price is paid, expenses incurred  
18 in attempting to collect any debt, debts sold or assigned to third parties  
19 for collection, and repossessed property.

20 (c) Bad debts incurred for sales made prior to November 9, 1983, shall  
21 not be deducted.

22 ~~(d) Bad debts must be deducted within three (3) years of the date of~~  
23 ~~the sale for which the debt was incurred.~~

24 ~~(e)~~(d) If a deduction is taken for a bad debt and the taxpayer  
25 subsequently collects the debt in whole or in part, the tax on the amount so  
26 collected shall be paid and reported on the return filed for the period in  
27 which the collection is made.

28 ~~(f)(1)~~(e)(1) When the filing responsibilities have been assumed by a  
29 certified service provider, as provided in the Uniform Sales and Use Tax  
30 Administration Act, § 26-20-101 et seq., the service provider will be allowed  
31 to claim on behalf of the taxpayer any bad debt allowance provided by this  
32 section.

33 (2) The certified service provider must credit or refund the  
34 full amount of any bad debt allowance or refund received to the taxpayer.

35 (f) When the amount of bad debt exceeds the amount of taxable sales  
36 for the period during which the bad debt is written off, a refund claim may

1 be filed within the time allowed by law for filing refund claims that shall  
 2 be measured from the due date of the return on which the bad debt could first  
 3 be claimed.

4 (g) For the purpose of reporting a payment received on a previously  
 5 claimed bad debt, any payments made on a debt or account are applied first  
 6 proportionally to the taxable price of the property or service and the sales  
 7 and use tax on the property or service, and then to interest, service  
 8 charges, and any other charges.

9 (h) If the books and records of the taxpayer claiming the bad debt  
 10 allowance support an allocation of the bad debt among different states,  
 11 allocation is permitted.

12  
 13 SECTION 18. Arkansas Code § 26-53-121 [Effective until contingency in  
 14 Arts 2003, No. 1273, § 88 is met], as it appears on page 156 of Volume 27A of  
 15 the Arkansas Code, is repealed.

16 ~~26-53-121. Registration of vendors—Out-of-state vendors.~~

17 ~~(a) Every vendor selling tangible personal property for storage, use,~~  
 18 ~~or consumption in this state shall register with the director and give the~~  
 19 ~~names and addresses of all agents operating in this state, the location of~~  
 20 ~~any and all distribution or sales houses or offices of other places of~~  
 21 ~~business in this state, and such other information as the director may~~  
 22 ~~require.~~

23 ~~(b) [Repealed.]~~

24  
 25 SECTION 19. Arkansas Code § 26-53-121 [Effective when contingency in  
 26 Acts 2003, No. 1273, § 88 is met], as it appears on page 91 of the 2003  
 27 Supplement to Volume 27A of the Arkansas Code, is amended as follows:

28 ~~26-53-121. Registration of vendors – Out-of-state vendors. [Effective~~  
 29 ~~when contingency in Acts 2003, No. 1273, § 88 is met.]~~

30 (a) Every vendor selling tangible personal property or taxable  
 31 services for storage, use, distribution, or consumption in this state shall  
 32 register with the Director of the Department of Finance and Administration  
 33 and give ~~the names and addresses of all agents operating in this state,~~ the  
 34 location of any and all distribution or sales houses or offices of other  
 35 places of business in this state, and such other information as the director  
 36 may require.

1 (b) [Repealed.]

2  
3 SECTION 20. Arkansas Code Title 26, Chapter 53, Subchapter 1 is  
4 amended to add an additional section to read as follows:

5 26-53-145. Food and food ingredients.

6 (a) The storage, use, distribution, and consumption in this state of  
7 food and food ingredients for human consumption shall be exempt from all  
8 taxes levied pursuant to the Arkansas Compensating Tax Act of 1949, § 26-53-  
9 101 et seq.

10 (b) As used in this section:

11 (1) "Alcoholic beverages" means beverages that are suitable for  
12 human consumption and contain one-half of one percent (0.5%) or more of  
13 alcohol by volume;

14 (2)(A) "Candy" means a preparation of sugar, honey, or other  
15 natural or artificial sweeteners in combination with chocolate, fruits, nuts  
16 or other ingredients or flavorings in the form of bars, drops, or pieces.

17 (B) "Candy" shall not include any preparation containing  
18 flour and shall require no refrigeration.

19 (3) "Dietary supplement" means any product, other than tobacco,  
20 intended to supplement the diet that:

21 (A) Contains one (1) or more of the following dietary  
22 ingredients:

23 (i) A vitamin;

24 (ii) A mineral;

25 (iii) An herb or other botanical;

26 (iv) An amino acid;

27 (v) A dietary substance for use by humans to  
28 supplement the diet by increasing the total dietary intake; or

29 (vi) A concentrate, metabolite, constituent,  
30 extract, or combination of any ingredient described in subdivision (b)(2)(A)  
31 of this section;

32 (B) Is intended for ingestion in tablet, capsule, powder,  
33 softgel, gelcap, or liquid form, or if not intended for ingestion in these  
34 forms, is not represented as conventional food and is not represented for use  
35 as a sole item of a meal or of the diet; and

36 (C) Is required to be labeled as a dietary supplement,

1 identifiable by the "Supplemental Facts" box found on the label and as  
2 required by 21 C.F.R § 101.36, as in effect on January 1, 2005;

3 (4)(A) "Food and food ingredients" means:

4 (i) Substances, whether in liquid, concentrated,  
5 solid, frozen, dried, or dehydrated form, that are sold for ingestion or  
6 chewing by humans and are consumed for their taste or nutritional value; and

7 (ii) Bakery items, including bread, rolls, buns,  
8 biscuits, bagels, croissants, pastries, donuts, Danish, cakes, tortes, pies,  
9 tarts, muffins, bars, cookies, or tortillas.

10 (B) "Food and food ingredients" does not include:

11 (i) Alcoholic beverages;

12 (ii) Dietary supplements;

13 (iii) Prepared foods;

14 (iv) Candy;

15 (v) Food sold through vending machines; or

16 (vi) Tobacco;

17 (5) "Food sold through vending machines" means food dispensed  
18 from a machine or other mechanical device that accepts payment;

19 (6)(A) "Prepared food" means:

20 (i) Food sold in a heated state or heated by the  
21 seller;

22 (ii) Two (2) or more food ingredients mixed or  
23 combined by the seller for sale as a single item; or

24 (iii)(a) Food sold with eating utensils provided by  
25 the seller, including plates, knives, forks, spoons, glasses, cups, napkins,  
26 or straws.

27 (b) As used in subdivision (b)(5) of this  
28 section, "plate" does not include a container or packaging used to transport  
29 the food.

30 (B) "Prepared food" does not include:

31 (i) Food that is only cut, repackaged, or  
32 pasteurized by the seller; or

33 (ii) Eggs, fish, meat, poultry, and foods containing  
34 these raw animal foods requiring cooking by the consumer as recommended by  
35 the Food and Drug Administration in Chapter 3, Part 401.11 of its Food Code,  
36 as in effect on January 1, 2005, so as to prevent food-borne illnesses; and

1           (7) "Tobacco" means cigarettes, cigars, chewing or pipe tobacco,  
 2 or any other item that contains tobacco.

3           (c) Notwithstanding the provisions of § 26-52-401, and except as  
 4 provided in subsection (d) of this section, the exemption provided in this  
 5 section shall not exempt the gross proceeds or gross receipts derived from  
 6 sales of food and food ingredients subject to the Arkansas Gross Receipts Act  
 7 of 1941, § 26-52-101 et seq.

8           (d) The gross receipts or gross proceeds derived by the sale of food  
 9 or food ingredients in all cities in this state divided by a street on the  
 10 state line from an incorporated city or town in an adjoining state shall be  
 11 exempt from the tax imposed by the Arkansas Gross Receipts Act of 1941, § 26-  
 12 52-101 et seq., and the Arkansas Compensating Tax Act of 1949, § 26-53-101 et  
 13 seq. if the adjoining state provides a similar tax exemption for the sale of  
 14 food or food ingredients.

15  
 16           SECTION 21. Arkansas Code Title 26, Chapter 53, Subchapter 1 is  
 17 amended to add an additional section to read as follows:

18           26-53-146. Over-the-counter drugs.

19           (a) As used in this section:

20           (1) "Alcoholic beverage" means a beverage that is suitable for  
 21 human consumption and contains one-half of one percent (0.5%) or more of  
 22 alcohol by volume;

23           (2) "Dietary supplements" means any product, other than tobacco,  
 24 intended to supplement the diet that:

25           (A) Contains one (1) or more of the following dietary  
 26 ingredients:

27                   (i) A vitamin;

28                   (ii) A mineral;

29                   (iii) An herb or other botanical;

30                   (iv) An amino acid;

31                   (v) A dietary substance for use by humans to  
 32 supplement the diet by increasing the total dietary intake; or

33                   (vi) A concentrate, metabolite, constituent,  
 34 extract, or combination of any ingredient described in subdivision (a)(2)(A)  
 35 of this section;

36           (B) Is intended for ingestion in tablet, capsule, powder,

1 softgel, gelcap, or liquid form, or if not intended for ingestion in such a  
2 form, is not represented as conventional food and is not represented for use  
3 as a sole item of a meal or of the diet; and

4 (C) Is required to be labeled as a dietary supplement,  
5 identifiable by the "Supplemental Facts" box found on the label and as  
6 required by 21 C.F.R § 101.36, as in effect on January 1, 2005;

7 (3)(A) "Drug" means a compound, substance, or preparation, and  
8 any component of a compound, substance, or preparation, other than alcoholic  
9 beverages:

10 (i) Recognized in the official United States  
11 Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States, or  
12 official National Formulary, as in existence on January 1, 2005;

13 (ii) Intended for use in the diagnosis, cure,  
14 mitigation, treatment, or prevention of disease; or

15 (iii) Intended to affect the structure of any  
16 function of the body.

17 (B) "Drug" includes dietary supplements;

18 (4) "Grooming and hygiene products" means soaps and cleaning  
19 solutions, shampoo, toothpaste, mouthwash, antiperspirants, and suntan  
20 lotions and screens, regardless of whether the items meet the definition of  
21 over-the-counter drugs; and

22 (5)(A) "Over-the-counter drug" means a drug for human use that  
23 contains a label that identifies the product as a drug as required by 21  
24 C.F.R. § 201.66, as in effect on January 1, 2005.

25 (B) "Over-the-counter drug" does not include grooming and  
26 hygiene products.

27 (C) "Over-the-counter drug" label includes:

28 (i) A "Drug Facts" panel; or

29 (ii) A statement of the "active ingredient(s)" with  
30 a list of those ingredients contained in the compound, substance, or  
31 preparation.

32 (b) The storage, use, distribution, and consumption in this state of  
33 over-the-counter drugs shall be exempt from all taxes levied pursuant to the  
34 Arkansas Compensating Tax Act of 1949, § 26-53-101 et seq.

35 (c) Notwithstanding the provisions of § 26-52-401, and except as  
36 provided in subsection (d) of this section, the exemption provided in this

1 section shall not exempt the gross proceeds or gross receipts derived from  
 2 sales of over-the-counter drugs subject to the Arkansas Gross Receipts Act of  
 3 1941, § 26-52-101 et seq.

4 (d) The gross receipts or gross proceeds derived by the sale of over-  
 5 the-counter drugs in all cities in this state divided by a street state line  
 6 from an incorporated city or town in an adjoining state shall be exempt from  
 7 the tax imposed by the Arkansas Gross Receipts Act of 1941, § 26-52-101 et  
 8 seq., and the Arkansas Compensating Tax Act of 1949, § 26-53-101 et seq. if  
 9 the adjoining state provides a similar tax exemption for the sale of over-  
 10 the-counter drugs.

11  
 12 SECTION 22. Arkansas Code § 26-74-608 [Effective until contingency in  
 13 Acts 2003, No. 1273, § 88, is met], as it appears on page 49 of the 2003  
 14 Supplement to Volume 27B of the Arkansas Code, is repealed.

15 ~~26-74-608. Applicability of tax. [Effective until contingency in Acts~~  
 16 ~~2003, No. 1273, § 88, is met.]~~

17 ~~(a)(1)(A) Except as provided in subdivision (a)(1)(B) of this section,~~  
 18 ~~a tax levied under this subchapter shall apply to sales of items and services~~  
 19 ~~sold by a business located in the eligible county to a resident or~~  
 20 ~~nonresident of the eligible county but shall not apply to the sale of motor~~  
 21 ~~vehicles to nonresidents of the eligible county.~~

22 ~~(B) The tax shall not apply to the sale of items and~~  
 23 ~~services sold to a nonresident of the eligible county if:~~

24 ~~(i) The sale is made for delivery to an address that~~  
 25 ~~is in a city or county that does not impose a city or county sales tax;~~

26 ~~(ii) The sale is of an item that is primarily sold~~  
 27 ~~through meter and by route delivery, without regard to the manner by which~~  
 28 ~~the item is ordered;~~

29 ~~(iii) The sale is documented by a sales invoice~~  
 30 ~~indicating that the sale was made for delivery to a place outside of the~~  
 31 ~~eligible county; and~~

32 ~~(iv) The delivery was actually made to the address~~  
 33 ~~noted on the invoice.~~

34 ~~(b) The tax shall not apply to the sale of the following items if the~~  
 35 ~~sale is made to a nonresident of the eligible county and if the sales invoice~~  
 36 ~~indicates that the sale was made for delivery to and delivery was actually~~

1 ~~made to an address that is located in a city or county that does not impose a~~  
 2 ~~city or county sales tax.~~

3 ~~(1) Aviation fuel;~~

4 ~~(2) Distillate special fuel used for agricultural purposes;~~

5 ~~(3) Agricultural machinery, parts, repairs, and supplies;~~

6 ~~(4) Water wells and water well supplies;~~

7 ~~(5) Agricultural feed, seed, and fertilizer; and~~

8 ~~(6) Agricultural chemicals.~~

9 ~~(c)(1) When a direct pay permit holder purchases tangible personal~~  
 10 ~~property either from an Arkansas or out-of-state vendor for use, storage,~~  
 11 ~~consumption, or distribution in Arkansas, the permit holder shall accrue and~~  
 12 ~~remit the county sales or use tax, if any, of the county where the property~~  
 13 ~~is first used, stored, consumed, or distributed.~~

14 ~~(2) When a direct pay permit holder purchases taxable services,~~  
 15 ~~the permit holder shall accrue and remit the sales tax, if any, of the county~~  
 16 ~~where the services are performed.~~

17  
 18 SECTION 23. Arkansas Code § 26-74-608 [Effective when contingency in  
 19 Acts 2003, No. 1273, § 88, is met], as it appears on page 50 of the 2003  
 20 Supplement to Volume 27B of the Arkansas Code, is amended as follows:

21 26-74-608. Applicability of tax. ~~{Effective when contingency in Acts~~  
 22 ~~2003, No. 1273, § 88, is met.}~~

23 (a)(1) A tax levied pursuant to the authority granted in this  
 24 subchapter shall be applicable to sales of items and services sold by a  
 25 business, and the tax shall be administered under the Arkansas Gross Receipts  
 26 Act of 1941, § 26-52-101 et seq., and the Arkansas Compensating Tax Act of  
 27 1949, § 26-53-101 et seq.

28 (b) When a direct pay permit holder purchases tangible personal  
 29 property or taxable services either from an Arkansas or out-of-state vendor  
 30 for use, storage, consumption, or distribution in Arkansas, the permit holder  
 31 shall accrue and remit the county sales or use tax, if any, ~~of the county~~  
 32 ~~where the property or services are first used, stored, consumed, or~~  
 33 ~~distributed pursuant to the sourcing rules in §§ 26-52-521 and 26-52-522.~~

34  
 35 SECTION 24. EMERGENCY CLAUSE. It is found and determined by the  
 36 General Assembly of the State of Arkansas that this state is losing sales tax



1 revenue due to the rapid growth of Internet sales; that the playing field  
2 between local businesses and out-of-state businesses needs to be leveled;  
3 that an undue burden on interstate commerce currently exists; and that this  
4 act is necessary in order for the State of Arkansas to be in compliance with  
5 the Streamlined Sales Tax Agreement. Therefore, an emergency is declared to  
6 exist and this act being necessary for the preservation of the public peace,  
7 health, and safety shall become effective on July 1, 2005.

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