



Miscellaneous Tax Background and Exemptions

Arkansas Tax Reform and Relief Legislative Task Force

June 20-21, 2018

Arkansas Department of Finance and Administration



Arkansas Alcohol Tax Overview

Beer & Malt Beverage Tax

- Wholesale tax collected and paid by the wholesaler on gallons and barrels of beer and malt beverages.
- ❖ **Barrel** means 31 gallons of liquid.
- ❖ **Beer** means any fermented liquor made from malt or any substitute and having an alcoholic content of not more than 5% by weight.
- ❖ **Malt Beverage** means any liquor brewed from the fermented juices of grain and having an alcoholic content of not less than 5% or more than 21% by weight.
- ❖ **Native Brewery** means a small brewery or microbrewery-restaurant.
- ❖ **Small Brewery** means any licensed facility that manufactures fewer than 30,000 barrels of beer and malt beverages per year for sale or consumption

Beer & Malt Beverage Tax con't.

- Ark. Code Ann. § 3-7-104 *et seq.* and § 3-7-111
- Beer Tax totals \$12,100,000 in revenue.
- Beer Enforcement Tax totals \$400,000 in revenue.
- Malt Beverage Tax is part of the \$11,000,000 in Liquor Tax reported
- Significant Exemptions – Sales to agencies of the Armed Forces of the United States.

Beer & Malt Beverage Tax – Native Brewery

Beer produced or distributed by a Native Brewery

- **Gallonage tax:** \$0.241935 per gallon or \$7.50 per barrel, **AND**
- **Enforcement/Inspection tax:** Not Applicable
- **Combined tax rate:** \$0.241935 per gallon or \$7.50 per barrel

Beer & Malt Beverage Tax – Distributor/Wholesaler

Beer produced or distributed by a non-Native Brewery

- **Gallonage tax:** \$0.234375 per gallon or \$7.265625 per barrel, **AND**
- **Enforcement/Inspection tax:** \$0.007813 per gallon or \$0.242188 per barrel.
- **Combined tax rate: Gallon rate:** \$0.242188 or **Barrel rate:** \$7.507813

Beer & Malt Beverage Tax – Native Brewery

Malt Beverage produced or distributed by a Native Brewery

- **Gallonage Tax:** \$0.241935 per gallon or \$7.50 per barrel **AND**
- **Enforcement/Inspection Tax:** not applicable
- **Combined tax rate:** Gallon rate: \$0.241935 or Barrel rate: \$7.50

Beer & Malt Beverage Tax – Distributor/Wholesaler

Malt Beverage produced or distributed by a non-Native Brewery

- **Gallonage Tax:** \$0.20 per each gallon or \$6.20 per barrel **AND**
- **Enforcement/Inspection Tax:** not applicable
- **Combined tax rate:** Gallon rate: \$0.20 or Barrel rate: \$6.20

Native Brewery Rebates

- A qualified Native Brewery manufacturer may receive a rebate of \$7.50 per barrel of beer, malt beverage, or hard cider sold in Arkansas by the brewer or appointed wholesaler if reports are required to report under Ark. Code Ann. § 3-5-1203 (Microbrewery restaurant), § 3-5-1408 (Native Beer Act), or § 3-7-104. Ark. Code Ann. § 3-7-116.
- “Qualified manufacturer” means a person that manufactures a combined total of less than twenty-five thousand (25,000) barrels of beer and malt beverage during the twelve-month period immediately preceding the twelve-month period for which the rebate under this section is claimed. Ark. Code Ann.
- Act 612 of 2017 provides that a qualified manufacturer who grows beyond the 25,000 barrel limit retains the tax rebate for the first 24,999 barrels produced.

Wine Tax

- Wholesale tax collected and paid by the wholesaler on gallons and cases of wine or Vinous Liquor and Light Wine.
- ❖ **“Vinous Liquor”** means the fermented juices of grapes, berries, or other fruits and other mixture containing the fermented juices of grapes, berries, or other fruits, having an alcoholic content of more than five percent (5%) alcohol by weight.
- ❖ **“Light Wine”** means the fermented juices of grapes, berries, or other fruits and other mixture containing the fermented juices of grapes, berries, or other fruits, having an alcoholic content between one-half of one percent (0.5%) and five percent (5%) alcohol by weight. Light Wine definition generally encompasses wine coolers.
- Notable Exemptions – Sacramental Wine
- Notable Tax Credits – Credit for wine sold to United States Military Installations and wine returned to a manufacturer.

Wine Tax, con't

- **“Vinous Liquor”** is taxed at the rates of:
 - Seventy-five cents (\$0.75) on each gallon sold or offered for sale in the State of Arkansas AND
 - Five cents (\$0.05) per each case sold or offered for sale in the State of Arkansas.
- **“Light Wine/Wine Coolers”** are taxed at the rates of:
 - Twenty-five cents (\$0.25) on each gallon sold or offered for sale in the State of Arkansas AND
 - Five cents (\$0.05) per case sold or offered for sale in the State of Arkansas.

Small Farm Winery Exemption

- A grower of grapes and other fruits may manufacture and sell wine upon the premises of the grower in original packages of not less than one-fourth of a gallon ($\frac{1}{4}$ gal.) from grapes and other fruits actually grown by the party so manufacturing wine upon his or her own premises, free from the license fees and taxes
- Home Brewed beer and home vinted wine for consumption by the home producer is exempt from license fees and taxes so long as no more than 100 gallons per adult are produced per calendar year.

Liquor Tax

- Wholesale tax collected and paid by the wholesaler on gallons and cases of Spiritous Liquor, Premixed Spiritous Liquor, and Light Spiritous Liquor.
- ❖ “Spirituous Liquor” means liquor distilled from the fermented juices of grain, fruits, or vegetable and any mixture containing liquor distilled from the fermented juices of grain, fruits, or vegetables, with an alcoholic content of twenty-one percent (21%) or more alcohol by weight.
- ❖ “Premixed Spirituous Liquor” means liquor distilled from fermented juices of grain, fruits, or vegetables, having an alcoholic content of less than twenty-one percent (21%) alcohol by weight but more than five percent (5%) alcohol by weight.
- ❖ “Light Spirituous Liquor” means liquor distilled from fermented juices of grain, fruits, or vegetables, having an alcoholic content between one-half of one percent (0.5%) and five percent (5%) alcohol by weight.
- Total Revenue \$10,100,000 for wholesale excise liquor tax and malt beverage tax .

Liquor Tax, Exemptions

- Denatured Alcohol, including rum
- Medicinal preparations manufactured in accordance with formulae prescribed in the United States Pharmacopoeia — National Formulary, or by the American Institute of Homeopathy that are unfit for the use for beverage purposes;
- Patented, patent, and proprietary medicines that are unfit for use for beverage purposes;
- Toilet, medicinal, and antiseptic preparations and solutions that are unfit for use for beverage purposes;
- Flavoring extracts and syrups that are unfit for use as a beverage or for intoxicating beverage purposes;
- Vinegar and preserved sweet cider;
- Alcohol medicated according to such formulae as will render it unfit for beverage purposes and which is to be sold for legitimate external use;

Liquor Tax, Exemptions – con't.

- Alcohol for mechanical and scientific purposes if unfit for a beverage;
- Wines;
- Pure, ethyl, or denatured alcohol intended for use or used for scientific, chemical, mechanical, industrial, medicinal, or culinary purposes or for use in the manufacture of patented, patent, proprietary, medicinal, pharmaceutical, antiseptic, toilet, scientific, chemical, mechanical, and industrial preparations or products, unfit for beverage purposes.
- Alcoholic beverages sold to agencies of the Armed Forces of the United States.

Liquor Tax, Levy

- **“Spirituous Liquor”** is taxed at the rates of:
 - Two dollars and fifty cents (\$2.50) on each gallon sold or offered for sale in the State of Arkansas **AND**
 - Twenty cents (\$0.20) per each case sold or offered for sale in the State of Arkansas.
- **“Premixed Spirituous Liquor”** is taxed at the rates of:
 - One dollar (\$1.00) on each gallon sold or offered for sale in the State of Arkansas **AND**
 - Five cents (\$0.05) per each case sold or offered for sale in the State of Arkansas.
- **“Light Spirituous Liquor”** is taxed at the rates of:
 - Fifty cents (\$0.50) on each gallon sold or offered for sale in the State of Arkansas **AND**
 - Five cents (\$0.05) per each case sold or offered for sale in the State of Arkansas.

Arkansas Soft Drink Tax Overview

Soft Drink Tax

- The tax is levied upon the a) sale in this state of soft drinks, syrups, simple syrups, powders and base products by a manufacturer, wholesaler, or distributor to a retailer or other purchaser, or b) the purchase by a retailer in this state of soft drinks, syrups, simple syrups, powders and base products from an unlicensed manufacturer, wholesaler, or distributor. The tax rate shall be:
 - Soft Drink Syrup - \$1.26 per gallon of soft drink or simple syrup.
 - Bottled Soft Drinks - \$20.6 cents per gallon of bottled or canned soft drink product.
 - Powders - \$20.6 cents for each gallon produced by powders or base products.

Soft Drink Tax, con't.

- “Powder” or “other base” means a solid mixture of basic ingredients used in making, mixing, or compounding soft drinks by mixing the powder or other base with water, ice, syrup or simple syrup, fruits, vegetables, fruit juice, vegetable juice, or any other product suitable to make a complete soft drink;
- “Soft drink” means any nonalcoholic beverage sold for human consumption including, but not limited to, the following: Soda water; Ginger ale; All drinks commonly referred to as “cola”; Lime, lemon, lemon-lime, and other flavored drinks, whether naturally or artificially flavored, including any fruit or vegetable drink containing ten percent (10%) or less natural fruit juice or natural vegetable juice; and All other drinks and beverages commonly referred to as “soft drinks”.
 - “Soft drink” does not include coffee or tea unless the coffee or tea is bottled as a liquid for sale; and
- “Syrup” means the liquid mixture of basic ingredients used in making, mixing, or compounding soft drinks by mixing the syrup with water, simple syrup, ice, fruits, vegetables, fruit juice, vegetable juice, or any other product suitable to make a complete soft drink.

Soft Drink Tax, con't.

- Soft Drink Tax revenue is special revenue for the Arkansas Medicaid Program Trust Fund and for matching federal Medicaid funding.
- Total Soft Drink Tax revenue annually is \$47,200,000 in FY2017. Expected FY2018 is \$44,000,000 and expected FY2-19 is \$41,000,000 based on Act 141 of 2017.

Soft Drink Tax, Exemptions

- Syrups, simple syrups, powders or base products, or soft drinks sold to the United States Government.
- Syrups, simple syrups, powders or base products, or soft drinks exported from the State of Arkansas by a distributor, wholesaler or manufacturer.
- Any powder or base product that is used in preparing coffee or tea or simple syrup used in preparing tea.
- Any frozen concentrate or freeze-dried concentrate to which only water is added to produce a soft drink containing more than ten percent (10%) natural fruit juice or natural vegetable juice.
- Any soft drink containing more than ten percent (10%) natural fruit juice or natural vegetable juice.

Soft Drink Tax, Exemptions

- Syrups, simple syrups, powders or base products, or soft drinks sold by one distributor, wholesaler or manufacturer to another distributor, wholesaler or manufacturer who holds a license issued by the Director under the provisions of this Act as a distributor, wholesaler or manufacturer provided that the license number of the distributor, wholesaler, manufacturer to whom the soft drink is sold is clearly shown on the invoice for the sale which is claimed to be exempt. This exemption shall not apply to any sale to a retailer.
- Any product whether sold in liquid or powder form which is intended by the manufacturer for consumption by infants and which is commonly referred to as “infant formula”.
- Any product whether sold in liquid or powder form which is intended by the manufacturer for use as a dietary supplement or for weight reduction.
- Water to which no flavoring, whether artificial or natural, nor carbonation has been added.
- Any powder or other base product which is intended by the manufacturer to be sold and used for the purpose of domestically mixing soft drinks by the ultimate consumer.
- Any product containing milk or milk products.

Arkansas Cigar & Tobacco Tax Overview

Cigar & Tobacco Tax

- The excise tax is reported and paid by 1) licensed wholesalers or distributors making the first sale in the State of Arkansas or 2) Arkansas consumers who purchase untaxed tobacco products from outside the State of Arkansas. In the absence of Arkansas tax being paid on the tobacco products, the consumer is required to self-report the tax due.
 - Smoking tobacco, moist snuff, cigars, and other tobacco are taxed at 68% of manufacturer's invoiced selling price prior to any discount.
 - The premium cigar tax is the sum of 1) \$0.50 per premium cigar and 2) 2% of manufacturer's invoiced selling price prior to any discount.
- Total Revenue is \$55,100,000 General Revenue and \$1,700,000 Special Revenue that is split between UAMS Center, Breast Cancer Control and Research, Arkansas Prostate Cancer Foundation, and Aging & Adult Services Fund.
- Notable Exemptions: Tobacco products sold to military departments of the United States or the State of Arkansas for resale on military bases within this State and tobacco products sold and delivered to authorized purchasers outside this State for resale and to other wholesalers are not subject to this tax. Ark. Code Ann. §26-57-209.

Cigar & Tobacco Tax

- **Smoking Tobacco** is a form of loose tobacco that is smoked/inhaled via papers/tubes or smoking devices (e.g. cigarette, hookah, pipe tobacco).
- **Moist Snuff** is a form of smokeless tobacco that is sometimes referred to as snuff. Moist tobacco is typically finely ground and sold in (round) tins, either in loose form or in small pre-packaged quantities (e.g. moist tobacco, snus, wet snuff).
- **Cigar** means any roll of tobacco wrapped in leaf tobacco or in any substance containing tobacco (e.g. little cigars, cigarillos, cigars) with an invoice price* (before discounts) less than \$0.7576 per cigar.
- **Other tobacco** means tobacco products that are not specifically smoking, moist snuff, or cigar products (e.g. chewing tobacco, plug tobacco, twist tobacco, cigar wraps, blunt wraps, dry snuff).
- **Premium Cigar** means any roll of tobacco wrapped in leaf tobacco or in any substance containing tobacco (e.g. little cigars, cigarillos, cigars) with an invoice price* (before discounts) equal to or greater than \$0.7576 per cigar.
- **Invoice price** means the price that a wholesaler or retailer of tobacco products pays to a manufacturer, importer, or distributor for tobacco products that the wholesaler or retailer subsequently sells in the state.

Arkansas Cigarette Tax Overview

Cigarette Tax

- The excise tax is reported and paid by 1) licensed wholesalers or distributors making the first sale in the State of Arkansas or 2) Arkansas consumers who purchase unstamped cigarettes. The tax payment is evidenced by a cigarette tax stamp affixed by a licensed wholesaler to each cigarette pack sold. In the absence of an Arkansas tax stamp, a consumer is required to self-report the tax due.
 - The tax rate is: \$57.50 per 1000 cigarettes or \$11.50 per carton or \$1.15 per pack.
- Total Revenue is \$165,200,000 General Revenue and \$5,300,000 Special Revenue that is split between UAMS Center, Breast Cancer Control and Research, Arkansas Prostate Cancer Foundation, and Aging & Adult Services Fund.
- Notable Exemptions: Tobacco products sold to military departments of the United States or the State of Arkansas for resale on military bases within this State and tobacco products sold and delivered to authorized purchasers outside this State for resale and to other wholesalers are not subject to this tax. Ark. Code Ann. §26-57-209.

Cigarette Tax, Cigarette Paper Tax

- The excise tax is reported and paid by 1) licensed wholesalers, distributors, and retailers making the first sale in the State of Arkansas or 2) Arkansas consumers who purchase untaxed cigarette rolling papers. In the absence of Arkansas excise tax being paid on the cigarette rolling papers, the purchaser is required to self-report the tax due.
 - The tax rate is: \$.25 per package.
- Total Revenue is \$1,300,000 General Revenue

Arkansas Charitable Bingo and Raffle Tax Overview

Charitable Bingo & Raffle Tax

- The tax is levied and collected on sales by licensed distributors to authorized organizations that have been in continuous existence for 5 years or more in this state.
- “Authorized organization” is defined as a nonprofit tax-exempt religious, educational, veterans, fraternal, service, civic, medical, volunteer rescue service, volunteer firefighters organization or volunteer police organization in this state. In addition, a nonprofit tax-exempt instrumentality of the United States Government is a service agency for the purpose of this definition
- The tax levied is 3/10¢ on the sale of each bingo face.
- The total revenue from this tax is \$200,000 General Revenue

Charitable Bingo & Raffle Tax, con't.

- Notable exemptions: Bingo faces taxed under code § 23-114-601 are exempt from the Arkansas Gross Receipts Tax Act of 1941 and the Arkansas compensating Tax Act of 1949.
- In addition to the levied tax, an annual registration process requires permit fees be collected from the following:
 - Manufacturers/Distributors - \$2,500.00
 - Licensed Authorized Organizations:
 - Annual bingo/raffle permit - \$100.00
 - Temporary bingo permit - \$25.00
 - Class I temporary raffle permit - \$25.00
 - Class II temporary raffle permit (donated prize value less than \$5,000) - \$10.00

Arkansas Severance Tax Overview

Severance Tax: Overview

- What is a Severance Tax?
 - “A tax imposed on the removal of nonrenewable resource such as crude oil, condensate and natural gas, coalbed methane and carbon dioxide.”
 - “Severance tax is charged to producers, or anyone with a working or royalty interest in oil or gas operations in the imposing states. You may be charged severance tax even if you do not realize a net profit on your investment.”
- What is subject to a Severance Tax in Arkansas?
 - Natural Gas
 - Oil
 - Timber
 - Brine, Crushed Stone, Coal, and other.

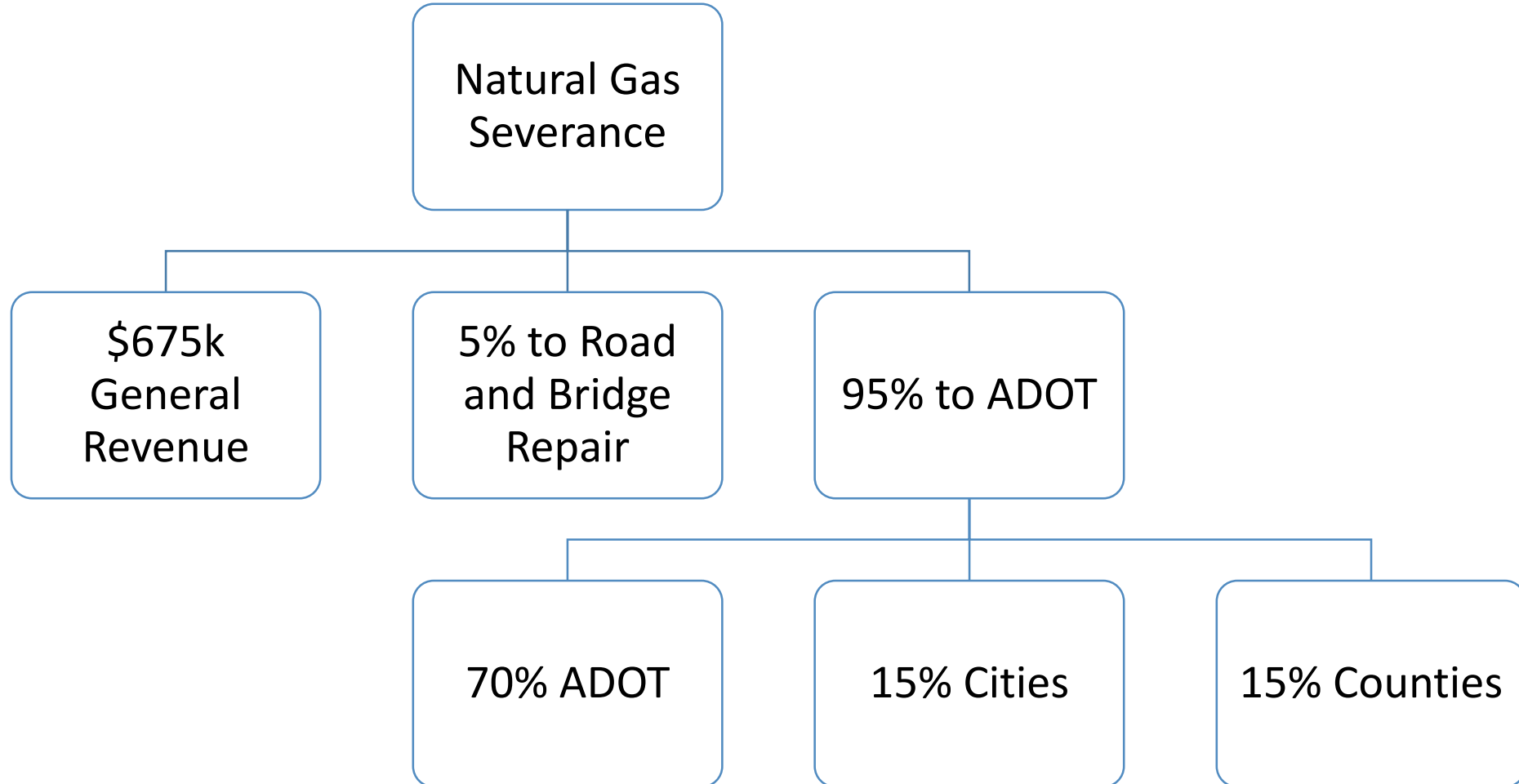
Severance Tax, Brine

- The tax is to be collected from the Producer on the barrels of brine severed during the production month. Monthly reporting forms are mailed out by the Miscellaneous Tax Section and are required to be completed/filed by the 25th day of each month following the report month.
- Brine refers to salt water whose naturally dissolved components, or solutes, are used as source raw materials for bromine and other products derived from the same salt water used in the bromine production.
- Tax rate equals \$2.75 per 1000 barrels or \$0.00275 per barrel. 1,000 barrels equals 42,000 US gallons.
- Total Revenue is \$630,000 Special Revenue for the Arkansas Museum of Natural Resources

Severance Tax, Natural Gas

- Tax is collected from the Operator/Producer on the market value of gas sold. The 1st Purchaser of natural gas is required to receive advanced ascertainment that the Operator/Producer holds an Arkansas Natural Gas Severance Tax Permit. If advanced ascertainment is not received, the 1st Purchaser is required to withhold natural gas severance tax on the gas purchase. The Operator/Producer and 1st Purchaser have monthly reporting responsibilities.
- The applicable tax rates of 1.25%, 1.5%, and 5.0% are dependent on the well classification by the Arkansas Oil and Gas Commission.
- The first \$675,000 to General Revenue and everything above that distributed 5% to the Road & Bridge Repair Fund and 95% to be split 70/15/15 among ADOT/cities/counties.
- Total Revenue is \$38,152,000.

Severance Tax: Distribution



Severance Tax, Oil

- Tax is levied and collected from either the producer or purchaser of oil in the State of Arkansas at the time of severance.
- The tax rate on oil shall be:
 - 4% of the market value at the time of severance, when production averages 10 barrels or less per well per day. Ark. Code Ann. § 26-58-111(6)(b)
 - 5% of the market value at the time of severance, when production averages more than 10 barrels per well per day. Ark. Code Ann. § 26-58-111(6)(a)
- Additional taxes are levied on oil at the rates of:
 - \$0.005 (5 mils) per barrel produced in this state. Ark. Code Ann. § 26-58-301(a)(1)
 - \$0.02 per barrel produced in this state. Ark. Code Ann. § 26-58-302(a)(1)
- Total Revenue is \$10,140,000.

Severance Tax, Oil – Salt Water Credit

- Any oil producer in this state who provides for the disposition of salt water produced in the production of oil in this state, by the means of an approved underground salt water disposal system, shall be allowed a credit on severance taxes due and payable to the State of Arkansas.
- **Ark. Code Ann. 26-58-204. Severance tax credit for oil producer.**
 - An oil producer in this state who provides for the disposition of salt water produced in the production of oil from oil wells of the oil producer in this state by means of an approved underground saltwater disposal system shall be allowed a severance tax credit on all oil produced by the saltwater-producing oil wells in the amount and in the method provided in this subchapter.
 - The total severance tax credits allowed all oil producers for any calendar year shall not exceed three hundred seventy thousand dollars (\$370,000). Ark. Code Ann. §
- **Ark. Code Ann. 26-58-205. Severance tax credit for natural gas producer.**
 - A natural gas producer charged with the responsibility of reporting and paying the severance tax on natural gas who provides for the disposal of saltwater produced in the production of natural gas by means of an approved underground saltwater disposal system is allowed a severance tax credit on all natural gas produced by the saltwater-producing natural gas wells in the amount and in the method provided in this subchapter.
 - The total severance tax credits allowed all natural gas producers for any calendar year shall not exceed three hundred seventy thousand dollars (\$370,000).

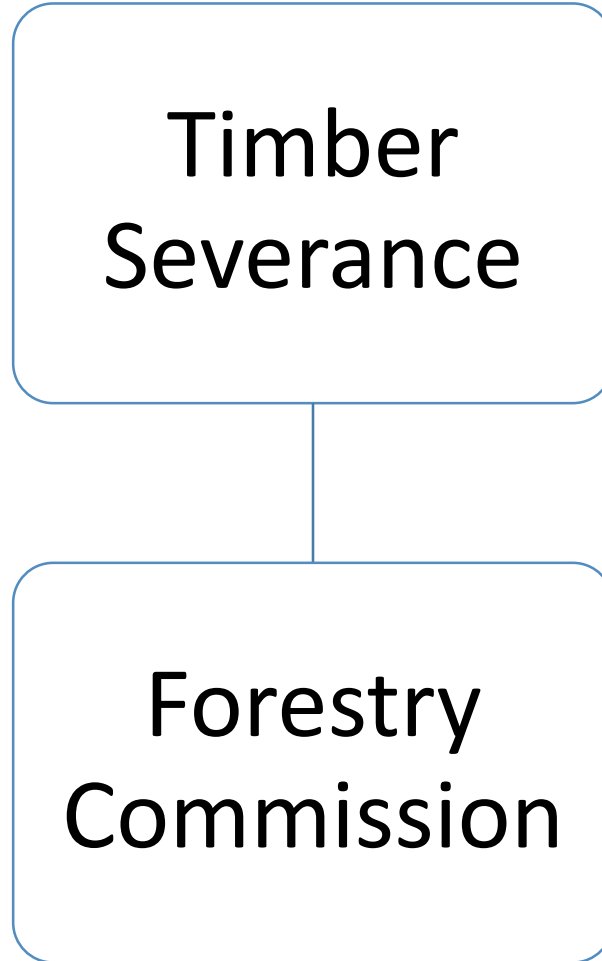
Severance Tax, Timber

- The tax is levied upon the primary processor of the timber and shall be computed on the weight, as determined at the last time the timber was weighed prior to undergoing the first processing after severance. The tax rate shall be:
 - Pine timber - \$0.178 per ton of two thousand pounds (2,000 lbs.)
 - All other timber - \$0.125 per ton of two thousand pounds (2,000 lbs.)
- Notable Exemptions – Timber severed by the property owner for personal use, not for sale or commercial gain or profit, is exempt.
- Total Revenue is \$4,000,000 Special Revenue for the State Forestry Commission and University of Arkansas – Monticello.

Severance Tax: Distribution

Timber
Severance

Forestry
Commission

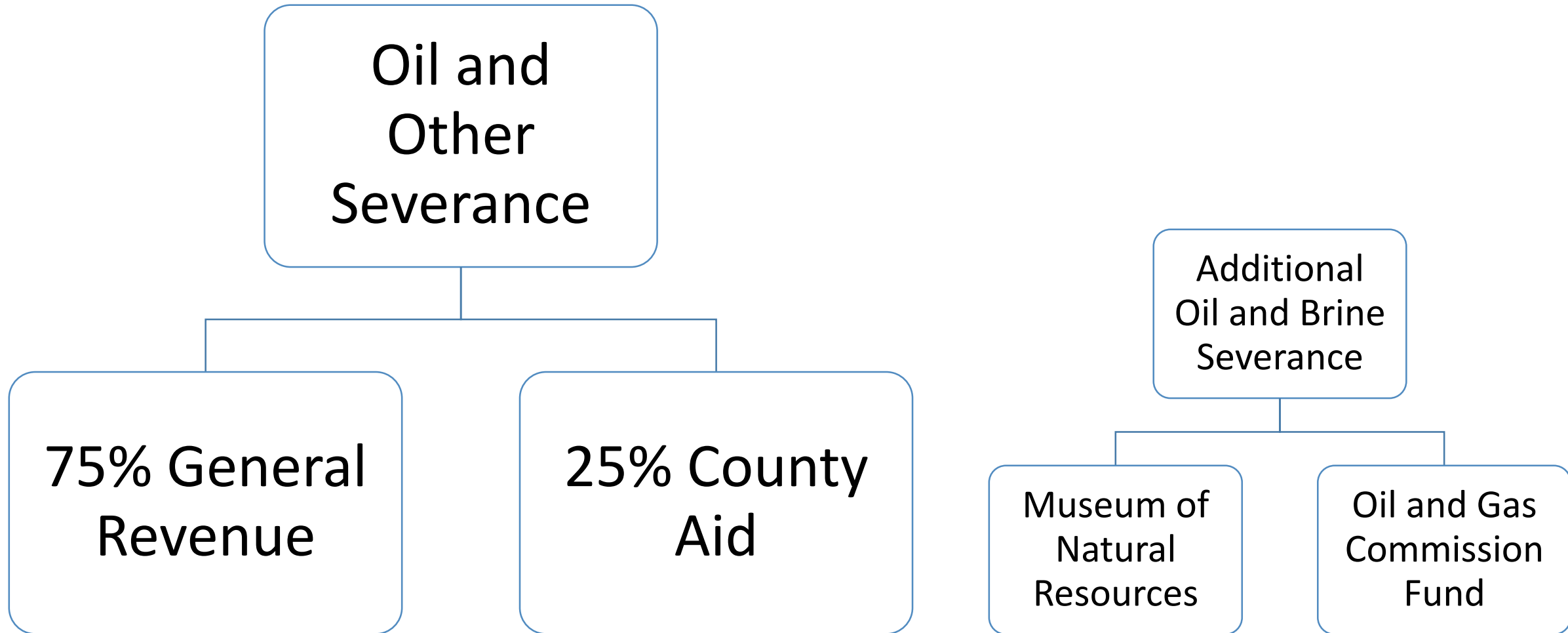


Severance Tax, Other

- Various rates for other minerals or interests subject to the severance tax.
- Severance Tax is distributed 75% to General Revenue and 25% to County Aid Fund.



Severance Tax: Distribution



Arkansas Gaming & Amusement Tax Overview

Electronic Games of Skill

- An 18% privilege tax is levied on the net wagering revenues from electronic games of skill. The fees are to be collected by the horse racing and greyhound racing franchisees.
- ❖ **Electronic Games of Skill** means games played through any electronic device or machine that affords an opportunity for the exercise of skill or judgment where the outcome is not completely controlled by chance alone. A game is not completely controlled by chance alone if the betting public may attain through the exercise of skill or judgment a better measure of success in playing the game than could be mathematically expected on the basis of pure luck, that is, on the basis of pure random chance alone.
 - ❖ Electronic Games of Skill do not include pari-mutuel wagering on horse racing and greyhound racing governed by the Arkansas Horse Racing Law or Arkansas Greyhound Racing Law, whether pari-mutuel wagering on live racing, simulcast racing, or races conducted in the past and rebroadcast by electronic means.
- ❖ **Net Wagering Revenues from Electronic Games of Skill** means the gross wagering revenues received by a franchise holder from wagers placed by patrons on electronic games of skill, less amounts paid out or separately reserved under rules of the commission for future pay out, to patrons on the wagers.
- Total Revenue is \$60,100,000 General Revenue

Paid Fantasy Sports Games

- Act 1075 of 2017 authorizes paid fantasy sports games in Arkansas.
- Act 1075 imposes a special 8% privilege tax based on the game operator's gross paid fantasy sports game revenues collected during the period of the state's previous fiscal year.
 - The gross paid fantasy sports game revenues would be the total of all entry fees that a game operator collects from all game participants, less the total of all sums paid out as prizes to all game participants. The remaining balance of revenues would then be multiplied by the location percent for Arkansas. The location percentage would be determined for each paid fantasy sports game and calculated as a percentage of all entry fees collected from game participants located in Arkansas divided by the total of entry fees from all game participants.
- The special 8% privilege tax is remitted to the Department of Finance and Administration on a quarterly basis.
- Total Revenue is \$81,700 General Revenue in the 9 months since levied.

Amusement Device Privilege Tax

- A privilege tax is levied on each amusement device. The annual privilege tax is due prior to each device being placed into operation. Annual license fees are due from each distributor, salesman, and operator of amusement devices. The license is renewed on or before July 1st of each year.

- **Privilege Tax (commonly referred to as a decal fee)**

\$5 per device per fiscal year

*Decal fees are prorated if due/payable during the last six (6) months of the fiscal year.

- **License Fees**

Entity

License Fee per Fiscal Year*

- | | |
|---|---------|
| • Distributor | \$25 |
| • Salesman | \$5 |
| • Operator - 3 or fewer amusement devices | \$500 |
| • Operator - 4 or more amusement devices | \$1,000 |

- **Surety Bonds**

- Distributor - \$1,000
- Operator - \$6,000

Amusement Device Privilege Tax, con't.

- Coin-operated amusement devices restricted exclusively to carnivals and county, district, and state fairs have a different requirement. A carnival licensee who operates amusement devices for more than three (3) months in any one (1) calendar year is required to pay the annual license fee. There are no surety bond requirements for carnival licensees who operate amusement devices. The following operator license fees apply to carnival licensees:

Entity (Number of Devices)	License Fee
• Operator - 3 or fewer	\$75 per month, 3 month maximum
• Operator - 3 or fewer	\$500 per fiscal year, if 3 month threshold is exceeded
• Operator - 4 or more	\$150 per month, 3 month maximum
• Operator - 4 or more	\$1,000 per fiscal year, if 3 month threshold is exceeded

Amusement Device Privilege Tax, con't.

- Total Revenue is \$203,000 Special Revenue in FY2017.
- The first thirty thousand dollars (\$30,000) annually collected shall be placed to the credit of the Public School Fund, and all moneys over thirty thousand dollars (\$30,000) annually collected shall be placed to the credit of the State Board of Health for rural health work.

Ark. Code Ann. § 26-57-407(b).



Arkansas Miscellaneous Taxes and Fees Overview

Beauty Pageants

- Beauty Pageant Operators must be licensed and bonded in the State of Arkansas. Registration in another state is not sufficient.
- Each registered operator, shall at the time of registration, file and have approved by the Department of Finance and Administration, a bond in which the candidate for registration shall be the principal obligator in the amount of ten thousand dollars (\$10,000.00). Such bond shall be payable to the State of Arkansas for the use of the Director and any person who may have a cause of action against the obligor on the bond for any losses caused by a failure to conduct a beauty pageant.
- Each registration shall expire on December 31st of each year.

Beauty Pageants, Exemptions

- The following organizations are required to register with the Department but are exempt from the bonding requirement:
 - A bona fide civic club in existence for at least one (1) year
 - A non-profit organization
 - A religious organization or church
 - A local government entity or school
 - Any organization auxiliary to or affiliated with such local governmental entities or schools, including but not limited to, county fair boards, and school booster clubs.
- A registration and bonding exemption applies to any operator which has existed as an operation for at least twenty-five (25) years, and its affiliates, whether now or hereafter, and whose continuing primary function involves the annual organization, promotion and sponsoring of a statewide talent and beauty pageant in which contestants compete for scholarships, awarded by the operator, as well for the opportunity of being Arkansas' representative and contestant in an annual nationwide talent and beauty pageant with which the operator is affiliated.

Real Property Transfer Tax

- The Real Property Transfer Tax is levied on each deed, instrument, or writing by which any lands, tenements, or other realty sold shall be granted, assigned, transferred, or otherwise conveyed. The tax rate is \$3.30 per \$1,000 of actual consideration on transactions that exceed \$100.
- Real Property Transfer Tax applies to transferring ownership of mineral rights.
- The total revenue from the Real Estate Transfer Tax is \$43,250,000 with \$2,600,000 as General Revenue and the remainder as Special Revenue for ANCR Natural and Cultural Resources Grants and Trust fund, ANCR Historic Preservation Trust Fund, Parks and Tourism fund, the City & County Clerks Continuing Education Fund, Administration of Justice Fund for Court Reporters, and the County Aid Fund.

Real Property Transfer Tax, Exemptions

- Transfers to or from the United States, the State of Arkansas, or any of the instrumentalities, agencies, or political subdivisions thereof;
- Any instrument of writing given solely to secure a debt;
- Any instrument solely for the purpose of correcting or replacing an instrument which has been previously recorded with full payment of tax having been paid at the time of the previous recordation;
- Instruments conveying land sold for delinquent taxes;
- Instruments conveying a leasehold interest in land only;
- Instruments, including timber deeds, which convey or grant the right to remove timber from lands if such instruments grant or convey the right to remove such timber for a period of not to exceed twenty-four (24) months;

Real Property Transfer Tax, Exemptions

- Instruments given by one party in a divorce action as action to the other party to the divorce action as a division of marital property whether by agreement or order of the court;
- Instruments given in a judicial proceeding or a nonjudicial proceeding under §18-50-101 et seq. enforce a security interest in real estate when the instrument transfers the property to the same person who is seeking to enforce the security interest;
- Instruments given to a secured party in lieu of or to avoid a judicial proceeding or a nonjudicial proceeding under §18-50-101 et seq. to enforce a security interest in real estate;
- Instruments conveying new homes financed by FHA, VA, or USDA if the selling price is \$60,000 or less; and
- Instruments incidental to the organization, reorganization, consolidation or liquidation of a corporation.

Used Tire Recycling Fees

- A Rim Removal fee is charged upon the removal of a tire from a rim that is related to the sale of a replacement tire by a tire retailer. The fee is \$3.00 if the replacement tire is new and \$1.00 if the replacement tire is used.
- The previous Waste Tire Program averaged \$5,400,000 annually. With the new Used Tire Accountability Program, the current revenue for FY2018 is \$5,200,000.
- The Used Tire Accountability Program was enacted by Act 317 of 2017 replacing the Waste Tire Program.
- This fee applies to various classes of tires:
 - **Small Tire** – a motor vehicle tire with a load rating of “F” or lower.
 - Automobile tire
 - Motorcycle
 - All-terrain vehicle
 - **Large Tire** – a motor vehicle tire with a load rating of “F” or higher and a rim size greater of 20” such as a truck tire.

Used Tire Recycling Fees, con't.

- **Extra-Large Tire:** means a tire that due to its size or construction is more difficult to process for recycling or disposal than a large tire and costs substantially more to process than a large tire.
 - Skid steer loader
Excavation equipment
Farm implement, including without limitations a Tractor, Backhoe, Road grader, Industrial equipment, Skidder, or Heavy duty truck used off road for mining
- **Import Tire** - A tire that is imported into Arkansas.
- **Commercial Generator** - A person who sells new tires or provides delivery of new tires as part of a fleet service to any of the following: Municipality, County, State Agency, Federal Agency, School District, Political subdivision of the State, or a Person who in the ordinary course of business buys tires in bulk for the use of commercial vehicles.
- **Waste Tire** – a tire that is no longer repairable or retreadable or no longer suitable for its original intended purpose because of wear, damage, or defect.

Used Tire Recycling Fees, Exemptions

- Sale for Resale
- Solid wheel rim with an integral rubber covering.
- Tire used on a nonmotorized bicycle, golf cart or lawn mower
- Used tires being held for ninety (90) days or less for the purpose of retreading or repairing
- Tires sold as part of the equipment of a new motor vehicle
- Large retreaded tires
- Tires included as part of the equipment of a used vehicle if included on the used vehicle at the time of sale and in the sales price of the used vehicle.

Construction Surcharge

- The surcharge is assessed at the rate of \$0.50 per \$1,000.00 of construction authorized on non-residential construction permits issued by a political subdivision of this state. Each subdivision of this state shall be limited to collecting a maximum surcharge of one thousand dollars (\$1,000) on each non-residential construction project receiving a permit.
- The total revenue averages \$565,000 annually but the CY2017 reported \$700,000 in revenue.
- The construction surcharge is special revenue for the Arkansas Construction Industry Craft Training Program.

Vending Machine Taxation

- A taxpayer is given 3 options to manage their vending operations in Arkansas. All vending machines must display an annually issued vending device decal, no matter which option is chosen.

- **Option 1** involves the payment of sales tax directly to the supplier of all merchandise that will be sold through the taxpayer's vending machines. Food sold through a vending machine can qualify for taxation at the Reduced Food Tax rate (see Rule 2007-3). **No Sales/Use Tax permit is required if Option 1 is chosen.**

After the opening of a Vending account, fiscal year decals are issued and placed on vending machines by the taxpayer. Prior to the beginning of each new fiscal year, a decal order form is mailed out to all Vending accounts. There are no fees for the annual Option 1 decals.

- **Option 2** involves reporting/paying the 7% Wholesale Vending Tax (see Rule 1995-2) each month on the merchandise to be sold through the taxpayer's vending machines. Merchandise is purchased tax free under the sale for resale exemption. **A Sales/Use Tax Permit is required.** The taxpayer is required to file a monthly ET-1 Excise Tax Report and pay the appropriate tax.

After the opening of a Vending account, fiscal year decals are requested, issued, and placed on vending machines by the taxpayer. Prior to the beginning of each fiscal year, a decal order form is mailed out to all Vending accounts. There are no fees for the annual Option 2 decals.

Vending Machine Taxation, con't.

- **Option 3** involves exempting vending merchandise purchases from tax under the sale for resale exemption. **A Sales/Use Tax Permit is required.** The taxpayer is required to file a monthly ET-1 Excise Tax Report.

After opening of a Vending account, fiscal year decals are purchased, issued, and placed on vending machines by the taxpayer. The vending machine operator purchases Option 3 decals based on various factors – manual verses electric vending equipment, value of the vended goods, and bulk verses individually vended goods. Prior to the beginning of each new fiscal year, a decal order form is mailed out to all Vending accounts. Decal costs are shown below.

- | Type of Vending unit | Dispenser | Value Range | Decal Fee |
|----------------------|--------------------|------------------|-----------|
| Individual | Electric | less than \$0.25 | \$15.00 |
| Individual | Electric | \$0.25 or more | \$93.00 |
| Bulk | Electric or Manual | \$0.25 or less | \$2.50 |
| Bulk | Electric or Manual | more than \$0.25 | \$7.50 |
| Individual | Manual | \$0.25 or more | \$30.00 |

Telephone Tariff

- The surcharge is collected by Commercial Mobile Radio Service Providers and Local Exchange Carriers. The surcharge rate is established by the Public Service Commission and collected by the local carriers from their customers.
- The rate is set by the Public Service Commission.
 - Effective July 1, 2013, the monthly Telephone Surcharge rate of \$0.02 applies to working subject telephone numbers (Commercial Mobile Radio Service Providers) and subject access lines (Local Exchange Carriers).
 - Total revenue from Fiscal Year 2017 - \$440,656.98

Ad Valorem Taxation

- The Tax Division of the Arkansas Public Service Commission determines Ad Valorem Assessments for property tax purposes on public utilities and carriers, including telecommunications providers, electric, gas and water utilities, pipeline companies, railroads, airlines, barge lines, cable television providers, motor carriers, and bus lines.
- The Tax Division's jurisdiction, duties and responsibilities are set forth in Ark. Code Ann. §§26-24-101-123 and §§26-26-1601 through §§26-26-1803. The Division values utilities and carriers using the unitary appraisal method, where the firm is valued as a complete operating system, with the value of Arkansas assets allocated by ratio.
- Depending on the type of company assessed, assessments are either certified to:
 - County assessors for extension and collection of taxes at the local level or
 - The Department of Finance and Administration for billing and collection.
- The Tax Division of the Arkansas Public Service Commission does not bill or collect any property taxes.