

EXHIBIT C
APPROVED JANUARY 13, 2020

SENATE COMMITTEE ON CITY, COUNTY, AND LOCAL AFFAIRS
HOUSE COMMITTEE ON CITY, COUNTY, AND LOCAL AFFAIRS
MEETING JOINTLY

Tuesday, December 10, 2019

The Senate and House Interim Committees on City, County, and Local Affairs met on Tuesday, December 20, 2019, at 10:00 a.m., Room MAC B, Little Rock, Arkansas.

Committee members present: Senators Gary Stubblefield, Co-Chair; Gary Leding, Vice-Chair; Alan Clark, and Terry Rice. Representatives Lanny Fite, Co-Chair; Frances Cavanaugh, Cameron Cooper, Carol Dalby, Cary Deffenbaugh, Jana Della Rosa, David Fielding, Lee Johnson, Marcus Richmond, and Johnny Rye.

Other members present: Senators Jonathan Dismang, Trent Garner, and Kim Hammer. Representatives Fred Allen, Stan Berry, Karilyn Brown, Bruce Cozart, Jim Dotson, Kenneth Ferguson, Vivian Flowers, Jack Ladyman, Roger Lynch, Austin McCollum, Stu Smith, James Sorvillo, Dwight Tosh, Danny Watson, and Carlton Wing.

The meeting was called to order by Senator Stubblefield.

Motion to Consider Approval of the September 23, 2019, and September 27, 2019, Meeting Meetings [Exhibits C1 and C2]

Senator Rice made a motion to approve the meeting minutes of September 23, 2019, and September 27, 2019. The motion was seconded by Representative Dalby, and without objection, the motion carried.

Discussion Concerning Sales Tax Exemptions for Car Washes Outlined in Act 822 of 2019 [Exhibits D and D1]

Mr. Charlie Collins, Commissioner of Revenue, Arkansas Department of Finance and Administration (DFA) and Mr. Paul Gehring, Assistant Commissioner of Revenue, Policy and Legal, DFA, were recognized. Mr. Gehring gave a brief explanation of the statute that was in place before the passage of Act 822 of 2019, and the fee process [see **Exhibits D and D1** for more details]. Act 822 contains some major business tax reform resulting from the recommendations of the Arkansas Tax Reform and Relief Legislative Task Force.

Mr. Gehring stated Act 822 imposes monthly water usage fees on operators of tunnel car washes and automatic car washes, but not self-service bays. Prior to Act 822, sales tax did not apply to the sale of services provided by a coin-operated car wash where the car-washing equipment is activated by the insertion of a coin or coins into a slot or receptacle, and where the labor of washing the exterior of the car or motor vehicle is performed solely by the customer or by mechanical equipment. Also, the exemption was not available for the sale of a car wash where an attendant assists in cleaning the vehicle. Mr. Gehring stated if the water usage fee was not in

place, Arkansas would lose approximately \$1.5 million in additional revenue. He reported, the number of car wash businesses in Arkansas include 672 car washes, of this amount, 67 are car wash tunnels, 1,814 are self-service bays, and 484 are automatic car washes.

In response to Senator Rice's request for clarification regarding the \$1.5 million loss if the water usage sales tax fee was not in place. Mr. Gehring explained, DF&A issued multiple fiscal impact statements for SB576, which became Act 822. The net total amount of revenues as a result of Act 822, was an approximate loss of \$3.3 million. The source of this impact was a loss estimation of:

- \$2.1 million to sales taxes for car wash tunnels
- \$811,000 gain in car wash usage fees from car wash tunnels
- \$749,000 gain from automatic car washes for the water usage fee
- \$1 million loss from state sales tax on tunnels
- \$1.4 million loss of sales tax by purchases and sales tax on automatic car washes
- \$324,000 loss in state sales tax as a result of exemptions on self-service bays

According to Mr. Gehring, for the month of November, car wash operators has submitted approximately 86 reports, with a total amount collected of \$49,000.

Mr. Wade Dunn, Car Wash Owner, was recognized. He expressed his concern with not knowing how to comply with Act 822 to pay the sales tax. Mr. Wade received an opinion on November 21 from DF&A officials that recommended he install one meter for the automatic car wash, since it was subject to the usage fee, and a separate meter for the rest of his business. Mr. Wade stated the solution to the problem is not simply installing a water meter on the automatic car wash; it is much more complicated. There is also the problem of estimating the number of gallons used on each car wash. The fee is calculated on eight-tenths of the total aggregate number of gallon of water used during the month and is levied at four-tenths of a cent per gallon on tunnel car washes and at two-tenths of a cent per gallon on automatic car washes. Mr. Dunn stated he would comply and pay the taxes, if someone could tell him what to pay.

Mr. Collins stated DF&A is implementing the law as fairly as it can be implemented and offered to speak with Mr. Dunn about the specifics of his situation.

There being no further business, the meeting adjourned at 11.42 a.m.