

Department of Finance and Administration

Legislative Impact Statement

Bill: SB1006

As Engrossed: 4/11/2013

Bill Subtitle: TO CREATE AN EXEMPTION FROM THE SALES AND USE TAX FOR NONPROFIT BLOOD DONATION ORGANIZATIONS.

Basic Change :

Senator J. Hutchinson

Engrossment 04/11/13 --- Senate Amendment 1 ---Amends the bill to clarify that the blood donation organizations eligible for the sales and use tax exemption includes those organized as non-profit, charitable organizations under federal laws and not necessarily under the Arkansas Nonprofit Corporation Act.

Original Bill ---The proposal adds nonprofit blood donation organizations to the list of entities and organizations exempt from state and local sales and use taxes on purchases of property and services. A nonprofit blood donation organization is defined to mean an organization organized under the Arkansas Nonprofit Corporation Act that is operated wholly or in part for the purpose of obtaining, collecting, separating, treating, testing, storing, processing, preparing for transfusion, furnishing, donating, or distributing human blood or parts or fractions of single blood units or products derived from single blood units. The proposal would be effective on the first day of the calendar quarter following the effective date of the act.

Revenue Impact :

FY14 Tax Decrease

Total Impact to State Revenues **-\$80,000**
[8 Months of Decreased Tax Collections --- 10/1/2013 Effective Date]
-\$ 53,557 ---State General Revenue (4.5%)
-\$ 10,414 ---Educational Adequacy (.875% tax)
-\$ 5,951 ---Property Tax Relief Trust Fund (.5%)
-\$ 1,488 ---Conservation Tax (.125%)
-\$ 5,951 ---Highway Fund (.5%)
-\$ 0 ---Educational Excellence Trust Fund
-\$ 0 ---Educational Adequacy (GR transfer)
-\$ 1,840 ---State Central Services
-\$ 800 ---Constitutional Officers
Total Impact to City and County Sales Tax **-\$25,800**

FY15 Tax Decrease

Total Impact to State Revenues **-\$120,000**
-\$ 72,093 ---State General Revenue (4.5%)
-\$ 15,621 ---Educational Adequacy (.875% tax)
-\$ 8,926 ---Property Tax Relief Trust Fund (.5%)
-\$ 2,232 ---Conservation Tax (.125%)
-\$ 8,926 ---Highway Fund (.5%)
-\$ 7,573 ---Educational Excellence Trust Fund
-\$ 669 ---Educational Adequacy (GR transfer)
-\$ 2,760 ---State Central Services
-\$ 1,200 ---Constitutional Officers
Total Impact to City and County Sales Tax **-\$39,000**

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Taxpayer Impact :

Eligible blood donate on organizations would claim the exemption from sales tax to sellers at the time of purchase. Businesses selling to the blood donation organizations must maintain adequate records to substantiate the exempted sales amounts. Eligible taxpayers would need to register and obtain an exemption permit from DFA to be provided to the sellers to substantiate the exemption.

Resources Required :

None

Time Required :

Adequate time is allowed in the proposal

Procedural Changes :

Education of staff for the new exemption and adoption of rules to reflect the exemption.

Legal Analysis :

SB1006, as engrossed S4/11/13, adds a section to the Arkansas Code that creates an exemption from Arkansas sales and use tax for the gross receipts or gross proceeds from the sale of tangible personal property or a service to a nonprofit blood donation organization. The bill defines the term "nonprofit blood donation organization" as an organization described in 26 U.S.C. § 501(c)(3), as it existed on January 1, 2013, that is operated wholly or in part for the purpose of obtaining, collecting, separating, treating, testing, storing, processing, preparing for transfusing, furnishing, donating, or distributing human blood or parts or fractions of single blood units or products derived from single blood units and is registered as a blood establishment with the U.S. Food and Drug Administration. The original version of the bill did not have the 501(c)(3) and "registered as a blood establishment" requirements in the definition of "nonprofit blood donation organization."

Currently, there is no sales or use tax exemption for sales to blood donation organizations or for sales to any taxpayer based simply upon its 501(c)(3) status.

The bill has an effective date of the first day of the calendar quarter following the effective date of the act.