

Department of Finance and Administration

Legislative Impact Statement

Bill: SB298

Bill Subtitle: TO CREATE AN EXEMPTION FROM THE SALES AND USE TAX FOR UTILITIES USED BY A GRAIN DRYING AND STORAGE FACILITY.

Basic Change :

Senator J. Dismang

The proposal adds a new section to the Arkansas Gross Receipts (Sales) Tax code provisions to provide for an exemption from state and local sales and use tax for utilities used for on-farm and for commercial grain drying and storage. Eligible utilities for the exemption are defined as electricity, liquefied petroleum gas, and natural gas. The proposal requires separate utility metering for the drying facility to be eligible for the exemption and DFA may require the utility purchaser to obtain a certificate from DFA to provide to sellers to establish proof of eligibility. 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 - \$2.52 million

[8 Months of Reduced Tax Collections --10/1/2013 Effective Date]

-\$ 1.58 million ---State General Revenue (4.5%)
-\$ 0.31 million ---Educational Adequacy (.875% tax)
-\$ 0.18 million ---Property Tax Relief Trust Fund (.5%)
-\$ 0.08 million ---Conservation Tax (.125%)
-\$ 0.30 million ---Highway Fund (.5%)
-\$ 0.00 million ---Educational Excellence Trust Fund
-\$ 0.00 million ---Educational Adequacy (GR transfer)
-\$ 0.06 million ---State Central Services
-\$ 0.03 million ---Constitutional Officers
Total Impact to City and County Sales Tax -\$.77 million

FY15 Tax Decrease

Total Impact to State Revenues - \$3.89 million

-\$ 2.20 million ---State General Revenue (4.5%)
-\$ 0.48 million ---Educational Adequacy (.875% tax)
-\$ 0.27 million ---Property Tax Relief Trust Fund (.5%)
-\$ 0.12 million ---Conservation Tax (.125%)
-\$ 0.46 million ---Highway Fund (.5%)
-\$ 0.22 million ---Educational Excellence Trust Fund
-\$ 0.02 million ---Educational Adequacy (GR transfer)
-\$ 0.09 million ---State Central Services
-\$ 0.04 million ---Constitutional Officers
Total Impact to City and County Sales Tax -\$1.1 million

Department of Finance and Administration

Legislative Impact Statement

Bill: SB298

Bill Subtitle: TO CREATE AN EXEMPTION FROM THE SALES AND USE TAX FOR UTILITIES USED BY A GRAIN DRYING AND STORAGE FACILITY.

Taxpayer Impact :

Sellers would be required to make adjustments to accounting systems to allow for the new exemption. Eligible purchasers would need to obtain the proper certification from DFA to provide the sellers.

Resources Required :

None

Time Required :

Adequate time is allowed in the proposal

Procedural Changes :

Education of staff, development of the certificate, and drafting of rules.

Other Comments :

None

Legal Analysis :

Currently, all sales of natural or artificial gas, electricity, or other utility or public service are subject to the Arkansas sales and use tax either at the full state rate, or for certain identified users, at a reduced rate. SB298 provides a sales and use tax exemption for the sale of a utility used by a grain drying and storage facility. The term "utility" is defined under the bill as electricity, liquefied petroleum gas, and natural gas. The bill states that a utility sold for any other purpose is fully subject to tax and requires separate metering of a utility subject to the exemption from a utility "used for any other purpose by the taxpayer." The bill does not define the type of use of the utility by the facility that is exempt.

The bill requires the DFA Director to promulgate rules to administer the exemption. Included within this rulemaking authority is the power to establish additional or alternate requirements for metering. The bill also authorizes the DFA Director to require certification from the taxpayer, in a form prescribed by the Director, that the facility is eligible for the exemption. The exemption is effective on the first day of the calendar quarter following the effective date of the act.