

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB342**

**Bill Subtitle: TO AUTHORIZE FUND TRANSFERS TO PAY STATE AND LOCAL SALES AND USE TAXES FOR THE PURCHASE OF STATE VEHICLES; AND TO DECLARE AN EMERGENCY.**

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**Basic Change :**

Senator Teague

The bill amends the "Automobile and Pickup Truck Acquisition Act for the State of Arkansas" and provides that when a state agency that has sufficient funds from sources other than general revenues to purchase motor vehicles and is transferring those funds to the Motor Vehicle Acquisition Fund for purchase of state vehicles, the transfer may include funds for payment of state and local sales taxes on the purchase.

**Revenue Impact :**

None

**Taxpayer Impact :**

None

**Resources Required :**

None

**Time Required :**

None

**Procedural Changes :**

None

**Other Comments :**

None

**Legal Analysis :**

SB342 authorizes fund transfers to pay state and local sales and use taxes on purchases of automobiles for state agencies. If the Director determines a state agency has sufficient funding from sources other than general revenues that may be used to purchase vehicles requested by the agency, the director shall transfer on his books as well as the books of the State Auditor and State Treasurer an amount equal to the price of the vehicles, including state and local sales and use taxes, from the available fund to the Motor Vehicle Acquisition Revolving Fund.

On July 1, 2001, Arkansas was required to implement Governmental Accounting Standards Board (GASB) Statement No. 34 and 35, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments and Public Colleges and Universities. However, two key implementation challenges continued to be infrastructure reporting and accounting for depreciation. Accordingly, Capital Asset Guidelines (P1-19-4-1503) were prepared to assist with implementing the new reporting requirements. Under these guidelines, equipment (including cars and trucks) are capital assets for purposes of depreciation. Expenditures to be capitalized as equipment (Category C1 512:00:11 generally) includes, among other things, sales, use, and other taxes imposed

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on the acquisition. In order to comply with reporting requirements, it was determined that state agencies should be paying sales and use taxes on their purchase of vehicles from Capital Outlay rather than through Operating Expenses. As many agencies do not have Capital Outlay, it has been necessary to obtain approval from the Performance Evaluation and Expenditure Review (PEER) subcommittee of the Arkansas Legislative Council for fund transfer appropriations to Capital Outlay line items to facilitate the payment of sales and use tax on vehicles . By statutorily authorizing the fund transfers to pay state and local sales and use taxes on the purchase of state vehicles, the state will be able to comply with reporting requirements without seeking PEER review and approval.

The change does not authorize fund transfers to pay any other taxes, costs, or fees related to the purchase of automobiles and that should be included in the depreciable cost under the Capital Asset Guidelines. Such costs would seem to continue to require PEER review and approval of fund transfers to authorize payment of such costs.

The bill contains an emergency clause.