

Department of Finance and Administration

Legislative Impact Statement

Bill: SB438

As Engrossed: 2/28/2013

Bill Subtitle: CONCERNING THE REVENUES DERIVED FROM THE TAX ON DISTILLATE SPECIAL FUELS; TO ELIMINATE THE DESIGNATION OF CERTAIN TAX REVENUES DERIVED FROM SALES OF DISTILLATE SPECIAL FUELS AS GENERAL REVENUES.

Basic Change :

Senator Teague

Engrossment 02/28/13 - Senate Amendment 1 -- This is a technical amendment to clean up language in the Arkansas Code. The bill ends the \$4M transfer from highway funds to General Revenue. State law currently provides that a portion of that \$4M received by General Revenue is then transferred to the Property Tax Relief Trust Fund and the Educational Adequacy Trust Fund. Because this bill would end the \$4M transfer, this amendment deletes the reference in current law sending a portion of that \$4M transfer to the Property Tax Relief Trust Fund and the Educational Adequacy Fund.

Original Bill -- Amends Arkansas code provisions to eliminate the transfer of the first four million dollars (\$4,000,000) derived from the special motor fuels tax to state General Revenues as provided by Act 1058 of 2011. The Act established a sales tax exemption on sales of Class 6 or Class 7 trucks that are engaged in interstate commerce and registered under the International Registration Plan (IRP). Act 1058 also exempted sales of semitrailers drawn by Class 5, 6, 7, or 8 trucks. To offset the loss of the state sales tax revenue on the eligible trucks and semi-trailers, the \$4 million transfer provision was included in the 2011 Act. The proposed bill would end the \$4 million annual transfer but maintain the sales tax exemption for the trucks and semi-trailers.

The proposal would be effective 90 days after final adjournment of the 89th General Assembly.

Revenue Impact :

Act 1058 of 2011 Transfer Amount	\$4,000,000
Less: State Central Services	- 92,000
Less: Constitutional Officer	- 40,000
Net Transfer Amount	\$3,868,000

Fund Losses from Repeal of Transfer

-	\$2,901,000	--- General Revenue
-	\$ 564,728	--- Education Adequacy Trust Fund
-	\$ 321,044	--- Property Tax Relief Trust Fund
-	\$ 81,228	--- Conservation Fund

Fund Gains from Repeal of Transfer

+	\$2,707,600	--- State Highways
+	\$ 580,200	--- Municipal Aid Fund
+	\$ 580,200	--- County Aid Fund

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Taxpayer Impact :

None

Resources Required :

None

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

DFA would end transfers to General Revenue, the Property Tax Relief Trust fund and the Education Adequacy Trust Fund.

Other Comments :

None

Legal Analysis :

The S2/28/13 engrossment of SB438 adds sections to the bill amending Ark. Code Ann. §§ 19-5-1103(b) and 19-5-1227(b)(3) to clarify that the offset revenues that are currently being diverted under Act 1058 of 2011 to the Property Tax Relief Trust Fund and the Educational Adequacy Fund will no longer constitute part of these Funds after the diversion is repealed. This engrossment incorporates the changes directed by Amendment S1 of the bill.