

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1178

Bill Subtitle: TO PROVIDE A SALES AND USE TAX EXEMPTION FOR A LESSEE OF AN INTERMODAL AUTHORITY IN CERTAIN CIRCUMSTANCES.

Basic Change : Sponsor: Representative Pitsch

The bill amends the Regional Intermodal Facilities Act to extend the sales and use tax exemption for those intermodal facilities to entities that lease property at the facility for purposes of constructing new business establishments. The Regional Intermodal Facilities Act, provides for the creation of regional Authorities by Arkansas cities and counties for the purpose of acquiring, equipping, constructing, maintaining and operating regional intermodal facilities and have authority to lease property located at the facility. Authorities are exempt from payment of all state and local taxes on their intermodal operations. The bill would extend the exemption from state and local sales and use taxes to those who lease property from the Authority at the intermodal location. The exemption would only apply to those products and services purchased by the lessee for use at their intermodal location. The bill limits the exemption to those lessee's who have not ceased or substantially reduced operations of a similar nature at other locations within 50 miles of the intermodal location. The proposal would be effective 90 days after adjournment of the 90th General Assembly.

Revenue Impact :

No impact on current state revenues. No Arkansas intermodal Authorities currently lease property for purposes of constructing new business establishments at the intermodal location.

Taxpayer Impact :

Businesses leasing property from regional intermodal facility authorities would be exempt from sales and use tax on products and services purchased for use at their business establishments at the facility.

Resources Required :

None

Time Required :

Adequate time for implementation is provided by the proposed legislation.

Procedural Changes :

Registration of eligible businesses leasing property at the regional intermodal authorities to allow their claiming of the sales and use exemption when making purchases.

Legal Analysis :

This bill provides a sales and use tax for purchases by a lessee of an intermodal authority when three conditions are present: (1) the lessee constructs a new facility within the intermodal authority; (2) the lessee does not, at a facility within 50 miles of the new facility, stop or substantial reduce operations that are similar to those to be performed at the new facility; and (3) the items or services for which the exemption is invoked are consumed, used, or performed at the new facility. Currently, intermodal authority lessees are subject to sales and use tax on purchases of tangible property and services, even if they are to be used or performed at a newly constructed intermodal facility. The bill is effective 90 days after adjournment.