

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1772

Amendment Number: H1 (As Engrossed 3/13/15)

Bill Subtitle: TO AMEND THE LAW CONCERNING THE DISCOUNT AVAILABLE TO TAXPAYERS FOR PROMPT SUBMISSION OF SALES TAXES RETURNS AND PAYMENTS.

Basic Change : Sponsor: Representative J. Mayberry

Engrossment 03/13/15 --- House Amendment 1 --- Amends the bill to provide that the proposed prompt payment discount on state sales taxes due of 1½% of the tax amount and capped at \$500 per month would also apply to city and county sales taxes.

Original Bill --- The proposal would amend Ark. Code Ann. § 26-52-503 which provides prompt payment discounts for retailers who report and remit the state and local sales taxes due by the 20th day of the month following the month of the sale. Under current law, a retailer who timely remits the sales taxes retains 2% of the tax amount with a maximum amount capped at \$1,000 per month. The proposal would limit the prompt payment discount on the state sales taxes due to 1½% of the tax amount and capped at \$500 per month. The proposal would become effective on the first day of the calendar quarter following the effective date of the act.

Revenue Impact :

FY16 Tax Increase

Total Impact to State Revenues + \$4,918,695
[8 Months of Reduced Discounts -- 10/1/2015 Effective Date]

+\$ 3,296,282 --- State General Revenue (4.5%)
+\$ 640,944 --- Educational Adequacy (.875% tax)
+\$ 366,254 --- Property Tax Relief Trust Fund (.5%)
+\$ 91,563 --- Conservation Tax (.125%)
+\$ 366,254 --- Highway Fund (.5%)
+\$ 0 --- Educational Excellence Trust Fund
+\$ 0 --- Educational Adequacy (GR transfer)
+\$ 108,211 --- State Central Services
+\$ 49,187 --- Constitutional Officers

Total Impact to City and County Sales Taxes +\$7,935,376

FY17 Tax Increase

Total Impact to State Revenues + \$7,378,044

+\$ 4,183,478 --- State General Revenue (4.5%)
+\$ 961,416 --- Educational Adequacy (.875% tax)
+\$ 549,380 --- Property Tax Relief Trust Fund (.5%)
+\$ 137,345 --- Conservation Tax (.125%)
+\$ 549,380 --- Highway Fund (.5%)
+\$ 699,142 --- Educational Excellence Trust Fund
+\$ 61,805 --- Educational Adequacy (GR transfer)
+\$ 162,317 --- State Central Services
+\$ 73,480 --- Constitutional Officers

Total Impact to City and County Sales Taxes +\$11,903,064

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Taxpayer Impact :

Retailers would receive reduced prompt payment discounts when making monthly sales tax payments.

Resources Required :

None

Time Required :

Adequate time is provided for implementation

Procedural Changes :

Modifications to forms and the electronic tax report filing system.

Legal Analysis :

The amendment extends the one-half percent reduction in the amount of the sales tax prompt payment discount to local (city and county) sales taxes. The amendment also extends the cap on the total amount of the discount that a taxpayer may receive per month to local sales taxes as well.