

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1384**

**Bill Subtitle: TO ALLOW A BUSINESS ENGAGED IN THE BUSINESS OF RENTING HEAVY EQUIPMENT PROPERTY TO COLLECT A RECOVERY FEE FROM CERTAIN CONSUMERS.**

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**Basic Change : Sponsor: Representative Holcomb**

HB1384 allows a business to charge a recovery fee of 1.25% on the rental charge of an item of "heavy equipment" to a customer in the State of Arkansas. "Heavy Equipment" property is defined to mean personal property owned by a business classified within the North American Industry Classification System (NAICS) code sectors 532310 or 532412. Code Sector 532310 refers to businesses classified as "General Rental Centers" and Code Sector 532412 refers to businesses classified as "Construction, Mining, and Forestry Machinery and Equipment Rental and Leasing". The bill provides that a business classified within the referenced NAICS code sectors could add the recovery fee to its rentals for periods of less than one year; rentals for undefined rental periods; or rentals under contracts with unlimited terms.

The fee would be collected by the business renting the property and held by the business to be used solely to pay ad valorem taxes levied on the business' tangible personal property. The fees would not be collected on rentals to governmental agencies. By February 15 of each year, the business would remit to the county in which the business was assessed property taxes on tangible property any recovery fees collected in the immediately preceding calendar year that exceed the aggregate property taxes that the business actually paid in that calendar year. For businesses operating in multiple counties, excess recovery fee collections would be prorated among the counties where properties are located. The Act would be effective on and after January 1, 2018.

**Revenue Impact :**

No impact on State General Revenues.

**Taxpayer Impact :**

Taxpayers collecting the recovery fee will be responsible for keeping the fee collections separate and apart from all other business receipts and use these monies to pay for the annual ad valorem assessments of the business. Any fees collected that exceed actual property taxes due would be reported to the county where the property is located.

**Resources Required :**

None.

**Time Required :**

None.

**Procedural Changes :**

None.

**Other Comments :**

None.

**Legal Analysis :**

None.