

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1026

Bill Subtitle: TO CLARIFY THAT CERTAIN APPEARANCE FEES ARE NOT COMPENSATION FOR THE PURPOSE OF DETERMINING ELIGIBILITY FOR THE SALES AND USE TAX EXEMPTION FOR FIRE PROTECTION EQUIPMENT AND EMERGENCY EQUIPMENT.

Basic Change :

**Sponsors: Reps. Cavanaugh, Barker, M. Davis, M. Gray, and Vaught
Sen. B. Johnson**

HB1026 adds a new subsection to §§ 26-52-434 and 26-53-142 to clarify that an appearance fee of \$50.00 or less paid to a volunteer fire fighter for training, practice, or the reimbursement of expenses associated with responding to a fire would not disqualify a fire department from volunteer status for purposes of the sales and use tax exemption on the fire department's purchases of fire protection and emergency equipment owned and exclusively used by it.

This bill is effective on the first day of the calendar quarter following the effective date of the act, which is anticipated to be October 1, 2021.

Revenue Impact :

None.

Taxpayer Impact :

None.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Updates to the sales and use tax rules will need to be promulgated.

Other Comments :

None.

Legal Analysis :

HB1026 clarifies that a firefighter's receipt of \$50.00 or less in appearance fees will not disqualify a fire department for the volunteer fire department sales and use tax exemption for fire protection and emergency equipment. HB1026 also provides a definition for the term "appearance fee" to mean "moneys received by a volunteer fire fighter for training, practice, or the reimbursement of expenses

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associated with responding to a fire.”

Currently, there is no definition of "volunteer fire department" in §§ 26-52-434 or 26-53-142. DFA provides a definition for "volunteer fire department" in Arkansas Gross Receipts Tax Rule GR-31.1. To qualify as a "volunteer fire department" under GR-31.1(C)(3)(b), at least seventy-five percent (75%) of the firefighters in the department must not receive regular compensation for their services. The rule then clarifies that a firefighter's receipt of appearance fees of \$20.00 or less per call is not "regular compensation." If HB1026 were enacted, this Rule should be updated to reflect the allowable \$50.00 appearance fee.