

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1196

Bill Subtitle: TO PROVIDE A SALES AND USE TAX EXEMPTION FOR WATER USED BY A POULTRY FARM; AND TO REQUIRE THE ADOPTION OF RELATED RULES.

Basic Change :

Sponsors: Reps. Christiansen and Beck

HB1196 creates a new section in the Arkansas Code, § 26-52-453, to provide a sales and use tax exemption for sales of water used exclusively in the operation of a poultry farm. Under the bill, a "poultry farm" is defined as a facility used for the commercial production of poultry, including without limitation a broiler or turkey grow-out house, a laying house, a hatching unit, a nursery unit, and a breeding house.

To be eligible for the exemption, water consumed must be separately metered from water used for any other purpose by the taxpayer. Under the bill, the Department of Finance and Administration (DFA), through promulgation of rules, may establish additional or alternate requirements for the metering of the water. DFA may also require a water utility to obtain a certificate from the taxpayer certifying that the taxpayer is eligible for the exemption.

This bill provides for an effective date of the first day of the calendar quarter following the effective date of this act. For purposes of a revenue impact, an effective date of October 1, 2021 is assumed.

Revenue Impact :

FY2022

Total Approximate State Sales and Use Tax Loss **\$ - 1,800,000**
(Estimated Effective Date 10/1/21 --- 8 months reduced tax collection)

General Revenue - 4.5%	\$ - 1,207,523
Property Tax Relief - .5%	\$ - 134,169
Conservation Fund - .125%	\$ - 33,542
Educational Adequacy Fund - .875%	\$ - 234,796
Highway Fund - .5%	\$ - 134,169
Educational Excellence Trust Fund -	\$ - .000
Educational Adequacy (GR Transfer) -	\$ - .000
State Central Services -	\$ - 37,800
Constitutional Officers -	\$ - 18,000

Total Approximate Local City and County Sales and Use Tax Loss **\$ - 600,000**

FY2023

Total Approximate State Sales and Use Tax Loss **\$ - 2,700,000**

General Revenue - 4.5%	\$ - 1,625,447
Property Tax Relief - .5%	\$ - 201,254
Conservation Fund - .125%	\$ - 50,313

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HB1196 would require DFA to file final rules with the Secretary of State on or before October 1, 2021, or if approval by the Arkansas Legislative Council (ALC) has not occurred, then the rules are to be filed as soon as practicable after approval. HB1196 would also require the Secretary to file proposed rules with ALC far enough in advance of October 1, 2021 so that ALC can consider the rules for approval before October 1, 2021.