

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1946

Bill Subtitle: TO AMEND THE LAW CONCERNING PREPAID WIRELESS PUBLIC SAFETY CHARGES.

Basic Change :

Sponsor: Rep. M. Gray

HB1946 reduces the public safety charge imposed on retail sales of prepaid wireless telecommunications services. The current charge is ten percent (10%) of the value of the prepaid wireless service. HB1946 reduces the charge to seven and one-half percent (7.5%) beginning January 1, 2023 and to five percent (5%) beginning January 1, 2024.

HB1946 also provides that the recipients of the revenues from the public safety charge, the Arkansas Commission on Law Enforcement Standards and Training and the Arkansas Wireless Information Network, will absorb the reduction in revenues on an equal basis.

Revenue Impact :

\$6.8 Million Approximate Annual Decrease in Fees Levied on Prepaid Wireless Telecommunications Services for collections taking place in the 2023 tax year as a result of a reduction from ten percent (10%) to seven and five-tenths percent (7.5%).

\$13.9 Million Approximate Annual Decrease in Fees Levied on Prepaid Wireless Telecommunications Services for collections taking place in the 2024 tax year as a result of a reduction from seven and five-tenths percent (7.5%) to five percent (5%).

[DFA collected \$25.1 Million in 911 fees on prepaid wireless telecommunications services from retailers with the fee based on ten percent (10%) of the total transaction amount for a full year as a result of Act 660 of 2019. An increase or decrease in the price for prepaid wireless services by providers or fluctuations in consumer purchases may alter this impact calculation.]

Taxpayer Impact :

Customers who purchase prepaid wireless services will recognize a reduction in the 911 fee applied to these transactions.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Updates to DFA's tax remittance and tax processing system will be required to account for the change in taxation. Notification to the businesses selling prepaid wireless telecommunications services will be

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required.

Other Comments :

None.

Legal Analysis :

Retailers remit the amount of public safety charges on prepaid wireless services collected to the Arkansas Department of Finance and Administration (DFA) in the same manner and at the same time as the state and local sales tax. DFA deposits the revenues from the charge into the Arkansas Public Safety Trust Fund for the provision of 911 services. HB1946 provides that the recipients of those revenues will share in the revenue reduction on an equal basis.