

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB605**

**Bill Subtitle: TO EXEMPT BROADBAND EQUIPMENT FROM SALES TAX WHEN THE EQUIPMENT IS INSTALLED IN A RURAL AREA.**

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### Basic Change :

**Sponsor: Sen. M. Johnson**

SB605 creates a sales and use tax exemption for the purchase of broadband equipment capable of providing high-speed internet access to customers in rural areas of Arkansas. SB605 defines "rural area" as an unincorporated area of an Arkansas county, or a town or municipality with a population of fewer than 2,500 people. SB605 defines "broadband equipment" as the infrastructure, materials, and other facilities designed to provide regulated or nonregulated carry signals from multiple independent network carriers. SB605 also requires the Department of Finance and Administration (DFA) to promulgate rules to implement this tax exemption.

The tax exemption is effective on the first day of the second calendar month following the effective date of the act. For purposes of the Revenue Impact below, an effective date of September 1, 2021 is assumed.

### Revenue Impact :

#### **FY2022**

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

(Estimated Effective Date 9/1/21 --- 9 months reduced tax collection)

General Revenue - 4.5%	\$ - 1,341,692
Property Tax Relief - .5%	\$ - 149,077
Conservation Fund - .125%	\$ - 37,269
Educational Adequacy Fund - .875%	\$ - 260,885
Highway Fund - .5%	\$ - 149,077
Educational Excellence Trust Fund -	\$ - .000
Educational Adequacy (GR Transfer) -	\$ - .000
State Central Services -	\$ - 42,000
Constitutional Officers -	\$ - 20,000

**Total Approximate Local City and County Sales and Use Tax Loss** **\$ - 666,667**

#### **FY2023**

**Total Approximate State Sales and Use Tax Loss** **\$ - 2,600,000**

General Revenue - 4.5%	\$ - 1,537,714
Property Tax Relief - .5%	\$ - 193,800
Conservation Fund - .125%	\$ - 48,450
Educational Adequacy Fund - .875%	\$ - 339,150
Highway Fund - .5%	\$ - 193,800
Educational Excellence Trust Fund -	\$ - 189,715

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Educational Adequacy (GR Transfer) -	\$ - 16,771
State Central Services -	\$ - 54,600
Constitutional Officers -	\$ - 26,000
<b>Total Approximate Local City and County Sales and Use Tax Loss</b>	<b>\$ - 866,667</b>

[ Statistical data derived using information produced by the FCC Office of Strategic Planning and Policy Analysis and the Federal Communications Commission. ]

### **Taxpayer Impact :**

Entities purchasing broadband equipment to be used in a rural area will be eligible to purchase that equipment exempt from sales and use tax.

### **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 :**

None.