

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1046**

**Bill Subtitle: TO AMEND THE LAW GOVERNING STATE SALES AND USE TAXES REGARDING WHEELCHAIR-ACCESSIBLE MOTOR VEHICLES.**

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### Basic Change :

**Sponsor: Rep. Ray**

HB1046 creates a new section, § 26-52-455, to provide a sales and use tax exemption for the sale of a wheelchair-accessible motor vehicle and the sale of the service of modifying a new or used motor vehicle to accommodate the transport of a person and wheelchair simultaneously. A "wheelchair-accessible motor vehicle" is defined as a motor vehicle that has been modified to permit a person to enter or exit the motor vehicle while in a wheelchair. An "after-market wheelchair accommodation service" is defined as the service of modifying a new or used motor vehicle to carry a person and a wheelchair simultaneously.

HB1046 would be effective on the first day of the second calendar month following the effective date of the act.

### Revenue Impact :

#### **FY2024**

**Total Approximate State Sales and Use Tax Loss \$ - 1,040,000**

(Estimated Effective Date 10/1/23 --- 8 months reduced tax collection)

General Revenue - 4.5%	\$ - 697,680
Property Tax Relief - .5%	\$ - 77,520
Conservation Fund - .125%	\$ - 19,380
Educational Adequacy Fund - .875%	\$ - 135,660
Highway Fund - .5%	\$ - 77,520
Educational Excellence Trust Fund -	\$ - .000
Educational Adequacy (GR Transfer) -	\$ - .000
State Central Services -	\$ - 21,840
Constitutional Officers -	\$ - 10,400

**Total Approximate Local City and County Sales and Use Tax Loss \$ - 367,108**

#### **FY2025**

**Total Approximate State Sales and Use Tax Loss \$ - 1,600,000**

(12 months reduced tax collection)

General Revenue - 4.5%	\$ - 965,981
Property Tax Relief - .5%	\$ - 119,262
Conservation Fund - .125%	\$ - 29,815
Educational Adequacy Fund - .875%	\$ - 208,708

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Highway Fund - .5%	\$ - 119,262
Educational Excellence Trust Fund -	\$ - 98,652
Educational Adequacy (GR Transfer) -	\$ - 8,721
State Central Services -	\$ - 33,600
Constitutional Officers -	\$ - 16,000

**Total Approximate Local City and County Sales and Use Tax Loss**

**\$ - 565,198**

[ HB1046 would be effective on the first day of the second calendar month following the effective date of the act. For purposes of the Revenue Impact above, an effective date of October 1, 2023 is assumed. ]

### Taxpayer Impact :

A taxpayer purchasing a "wheelchair-accessible motor vehicle" would no longer be responsible for paying sales and use tax on the purchase price of that motor vehicle at the time of registration. A business that provides "aftermarket wheelchair accommodation services" would no longer charge their customers sales and use tax on the sale of those services.

### Resources Required :

The Arkansas Integrated Revenue System (AIRS) system will need to be programmed to accommodate this change. Requirements gathering, development, testing, and training will take approximately 160 hours at a cost of \$40,000. Yearly maintenance will also be 10 hours a year at a cost of \$2,000.

System programming will be required to add an indicator to identify vehicle as a wheelchair-accessible motor vehicle within AIRS to ensure sales tax is not charged.

### Time Required :

Adequate time is provided for implementation.

### Procedural Changes :

Updates to the Office of Motor Vehicle (OMV) manual will be required. Training of State Revenue Office clerks and OMV staff will be required.

### Other Comments :

None.

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### Legal Analysis :

HB1046 authorizes DFA to promulgate rules to administer this exemption. However, if rules are promulgated, DFA is required to file rules with Legislative Council on or before January 1, 2024 or as soon as practicable.