

Department of Finance and Administration

Amended Legislative Impact Statement

Bill: HB1172

Bill Subtitle: TO CREATE A SALES AND USE TAX EXEMPTION FOR MORTALITY COMPOSTING DEVICES SOLD TO A COMMERCIAL LIVESTOCK OR POULTRY PRODUCER.

Basic Change :

Sponsors: Rep. Vaught and Sen. Dees

HB1172 creates a new section in the Arkansas Code, § 26-52-455, to provide a sales and use tax exemption for the sale of a "mortality composting device" to a commercial livestock or poultry producer. A "mortality composting device" is an in-vessel mortality composter that incorporates a container or vessel to hold the composting materials and compost the deceased livestock or poultry inside the container or vessel. To qualify for the exemption, the mortality composting device must:

- Be designed for the purposes of the biological decomposition and stabilization of organic matter under controlled aerobic conditions;
- Confine the composting material to a container or receptacle rather than a building or concrete bunker; and
- Be sold to a person engaged in the commercial production of livestock or poultry.

The sale of a mortality composting device will be exempt from gross receipts taxes levied under §§ 26-52-301, -302, and 26-36-402, compensating use taxes levied under §§ 26-53-106 and -107, and all city and county sales and use taxes.

The exemption is effective on the first day of the calendar quarter following the effective date of the act. An effective date of October 1, 2023 is assumed for purposes of the revenue impact below.

Revenue Impact :

FY2024

Total Approximate State Sales and Use Tax Loss \$ - 271,333

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

	\$ - 182,023
General Revenue - 4.5%	
Property Tax Relief - .5%	\$ - 20,225
Conservation Fund - .125%	\$ - 5,056
Educational Adequacy Fund - .875%	\$ - 35,393
Highway Fund - .5%	\$ - 20,225
Educational Excellence Trust Fund -	\$ - .000
Educational Adequacy (GR Transfer) -	\$ - .000
State Central Services	\$ - 5,698
Constitutional Officers	\$ - 2,713

Total Approximate Local City and County Sales and Use Tax Loss \$ - 90,444

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FY2025

Total Approximate State Sales and Use Tax Loss \$ - 407,000

General Revenue - 4.5%	\$ - 245,021
Property Tax Relief - .5%	\$ - 30,337
Conservation Fund - .125%	\$ - 7,584
Educational Adequacy Fund - .875%	\$ - 53,090
Highway Fund - .5%	\$ - 30,337
Educational Excellence Trust Fund -	\$ - 25,738
Educational Adequacy (GR Transfer) -	\$ - 2,275
State Central Services -	\$ - 8,547
Constitutional Officers -	\$ - 4,070

Total Approximate Local City and County Sales and Use Tax Loss \$ - 135,667

Taxpayer Impact :

A commercial livestock or poultry producer purchasing mortality composting devices would no longer be responsible for paying sales and use taxes on those purchases.

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 :

The sale of a mortality composting device does not qualify for the existing exemption for farm equipment and machinery because a mortality composting device is not an implement used exclusively and directly in the commercial production of food or fiber.