

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 :

None.

[It is not anticipated that the Department of Finance and Administration (DFA) is currently receiving collections of sales or use tax on the sale of mortality composting devices. Instead, it is anticipated that a poultry or livestock producer is purchasing a mortality composting device without collection of sales or use tax by providing an agricultural exemption form to the retailer or vendor of the device. An exemption claim made by a poultry or livestock producer would be subject to audit and possible assessment.]

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.

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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.