

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1190

Bill Subtitle: TO PROVIDE A SALES AND USE TAX EXEMPTION FOR CERTAIN UTILITIES USED BY A SWINE FARM.

Basic Change :

Sponsor: Rep. Beck

Act 970 of 2021 created a sales and use tax exemption for sales of water used exclusively in the commercial operation of a poultry farm. HB1190 extends the exemption to commercial swine farms. A swine farm is defined as "a facility used for the commercial production of swine." To be eligible for the exemption, water consumed by the poultry or swine farm must be separately metered from water used for any other purpose by the taxpayer.

HB1190 provides for an effective date of 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, 2023 is assumed.

Revenue Impact :

FY2024

Total Approximate State Sales and Use Tax Loss \$ - 565,000

(Estimated Effective Date 9/1/23 --- 9 months reduced tax collection)

General Revenue - 4.5%	\$ - 379,028
Property Tax Relief - .5%	\$ - 42,114
Conservation Fund - .125%	\$ - 10,529
Educational Adequacy Fund - .875%	\$ - 73,700
Highway Fund - .5%	\$ - 42,114
Educational Excellence Trust Fund -	\$ - .000
Educational Adequacy (GR Transfer) -	\$ - .000
State Central Services -	\$ - 11,865
Constitutional Officers -	\$ - 5,650

Total Approximate Local City and County Sales and Use Tax Loss \$ - 188,333

FY2025

Total Approximate State Sales and Use Tax Loss \$ - 750,000

General Revenue - 4.5%	\$ - 444,802
Property Tax Relief - .5%	\$ - 55,904
Conservation Fund - .125%	\$ - 13,976
Educational Adequacy Fund - .875%	\$ - 97,832
Highway Fund - .5%	\$ - 55,904
Educational Excellence Trust Fund -	\$ - 53,595
Educational Adequacy (GR Transfer) -	\$ - 4,738

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State Central Services –	\$ - 15,750
Constitutional Officers -	\$ - 7,500

Total Approximate Local City and County Sales and Use Tax Loss **\$ - 250,000**

Taxpayer Impact :

Consumers purchasing water for exclusive use in swine farming for the commercial production of swine would no longer be responsible for paying sales and use taxes on those purchases.

Resources Required :

Computer programs, tax forms, and instructions would require update. Arkansas Integrated Revenue System (AIRS) programming costs estimated to be \$8,000.

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.