

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1814**

**Bill Subtitle: TO CREATE AN INCOME TAX CHECK-OFF PROGRAM FOR THE ARKANSAS VETERANS CEMETERY FOUNDATION; AND TO CREATE A SALES AND USE TAX EXEMPTION FOR SALES TO THE ARKANSAS VETERANS CEMETERY FOUNDATION.**

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**Basic Change :**

**Sponsor: Rep. Brown**

HB1814 creates an income tax check-off program whereby taxpayers who file individual or corporate income tax returns can elect to contribute a portion of the entitled refund or to contribute an amount in addition to the tax owed to the Arkansas Veterans Cemetery Foundation.

The Department of Finance and Administration (DFA) is required to:

- Certify quarterly to the Treasurer of the State the amount contributed to the program;
- Deduct from the Individual Income Tax Withholding Fund, the amount contributed to the program on individual income tax returns; and
- Deduct from the Corporate Income Tax Withholding Fund, the amount contributed to the program on corporate income tax returns.

HB1814 contains an effective date for the income tax check-off program for tax years beginning on or after January 1, 2023.

HB1814 also creates a sales tax exemption on the sale of tangible personal property, specified digital products, a digital code, or a service to the Arkansas Veterans Cemetery Foundation. The effective date for the sales tax exemption would be the first day of the calendar quarter following the effective date of the act.

**Revenue Impact :**

**FY2024**

**Total Approximate State Sales and Use Tax Loss \$ - 570.00**

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

	\$ - 382
General Revenue - 4.5%	
Property Tax Relief - .5%	\$ - 42
Conservation Fund - .125%	\$ - 11
Educational Adequacy Fund - .875%	\$ - 74
Highway Fund - .5%	\$ - 44
Educational Excellence Trust Fund -	\$ - 0.00
Educational Adequacy (GR Transfer) -	\$ - 0.00
State Central Services -	\$ - 11
Constitutional Officers -	\$ - 5

**Total Approximate Local City and County Sales and Use Tax Loss \$ - 190**

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**FY2025**

**Total Approximate State Sales and Use Tax Loss \$ - 850.00**

General Revenue - 4.5%	\$ - 511
Property Tax Relief - .5%	\$ - 63
Conservation Fund - .125%	\$ - 16
Educational Adequacy Fund - .875%	\$ - 111
Highway Fund - .5%	\$ - 65
Educational Excellence Trust Fund -	\$ - 54
Educational Adequacy (GR Transfer) -	\$ - 5
State Central Services -	\$ - 16
Constitutional Officers -	\$ - 8

**Total Approximate Local City and County Sales and Use Tax Loss \$ - 283**

**Taxpayer Impact :**

An Arkansas taxpayer would be able to designate a portion or all of his or her income tax refund to be withheld and contributed to the Arkansas Veterans Cemetery Foundation. The Arkansas Veterans Cemetery Foundation would no longer be responsible for paying sales and use tax on purchases of tangible personal property, specified digital products, a digital code, or a services paid for by the foundation.

**Resources Required :**

Computer programs, tax forms, and instructions will need to be updated. Programming costs for the Arkansas Integrated Revenue System (AIRS) is estimated at \$8,000.

**Time Required :**

Adequate time is provided for implementation.

**Procedural Changes :**

Updates to the Sales and Use Tax Rules will be promulgated. Department employees will need to be educated as well as the tax community.

**Other Comments :**

None.

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**Legal Analysis :**

None.