

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB540**

**Bill Subtitle: TO CREATE A SALES AND USE TAX EXEMPTION FOR CERTAIN ITEMS RELATED TO HUMAN BURIAL; AND TO EXEMPT A PORTION OF THE PURCHASE PRICE OF A CASKET, BURIAL VAULT, CASKET INSERT, OR CREMATION URN FROM SALES AND USE TAX.**

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**Basic Change :**

**Sponsor: Sen. D. Wallace**

SB540 exempts from sales and use tax the first \$1,000 of the gross receipts or gross proceeds derived from the sale of a casket, burial vault, casket insert, or cremation urn. SB540 provides that the exemption may be administered as a rebate.

The exemption is effective on the first day of the calendar quarter following the effective date of the act. For purposes of the Revenue Impact below, an effective date of October 1, 2023 is assumed.

**Revenue Impact :**

**FY2024**

**Total Approximate State Sales and Use Tax Loss           \$ - 1,200,000**

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

General Revenue - 4.5%	\$ - 805,015
Property Tax Relief - .5%	\$ - 89,446
Conservation Fund - .125%	\$ - 22,362
Educational Adequacy Fund - .875%	\$ - 156,531
Highway Fund - .5%	\$ - 92,308
Educational Excellence Trust Fund -	\$ - 0.00
Educational Adequacy (GR Transfer) -	\$ - 0.00
State Central Services -	\$ - 23,262
Constitutional Officers -	\$ - 11,077

**Total Approximate Local City and County Sales and Use Tax Loss           \$ - 400,000**

**FY2025**

**Total Approximate State Sales and Use Tax Loss           \$ - 1,800,000**

General Revenue - 4.5%	\$ - 1,083,631
Property Tax Relief - .5%	\$ - 134,462
Conservation Fund - .125%	\$ - 33,542
Educational Adequacy Fund - .875%	\$ - 234,796
Highway Fund - .5%	\$ - 138,462
Educational Excellence Trust Fund -	\$ - 113,892
Educational Adequacy (GR Transfer) -	\$ - 10,063
State Central Services -	\$ - 34,892

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Constitutional Officers - \$ - 16,615

**Total Approximate Local City and County Sales and Use Tax Loss \$ - 600,000**

### **Taxpayer Impact :**

An individual purchasing caskets, burial vaults, casket inserts, and cremation urns would recognize a reduction in sales and use tax liability on the first \$1,000 of the sale price for those items.

### **Resources Required :**

None.

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

Updates to the Sales and Use Tax Rules will be promulgated.

### **Other Comments :**

None.

### **Legal Analysis :**

The State of Arkansas is a full member state under the Streamlined Sales and Use Tax Agreement (SSUTA). If the State of Arkansas was determined to be in violation of the SSUTA, sanctions may be imposed and future collections of sales taxes from out-of-state sellers would be in jeopardy.

Under Section 323 of the SSUTA, no member state may have caps or thresholds on the application of state sales or use tax rates or exemptions that are based on the value of the transaction or item or have caps or thresholds that are based on the application of the rates unless the member state assumes the administrative responsibility in a manner that places no additional burden on the retailer.

To comply with the Agreement, SB540 could be amended to only be administered as a rebate.