



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1594

Bill Subtitle: TO CREATE A FARMER SALES TAX IDENTIFICATION CARD; AND TO RELIEVE A SELLER OF SALES TAX REMITTANCE LIABILITY UPON GOOD FAITH ACCEPTANCE OF A FARMER SALES TAX IDENTIFICATION CARD.

Sponsors:

Rep. Vaught and Sen. Dees

Basic Change:

HB1594 creates a farmer sales tax identification card to be provided to an eligible farmer by the Department of Finance and Administration (DFA).

An individual who is engaged in farming may present the identification card to a retailer to claim an exemption from sales tax. "Farming" is defined as the agricultural production of food or fiber as a business or the agricultural production of grass sod or nursery products as a business. A retailer who accepts an exemption certificate or a farmer identification card in good faith is relieved from liability to collect any applicable sales or use tax from the purchaser.

Fiscal Impact:

None.

Taxpayer Impact:

Sellers will be able to accept a farmer sales tax identification card to verify and account for purchases that are entitled to a sales and use tax exemption under § 26-52-401 et seq.

Resources Required:

The Arkansas Integrated Revenue System (AIRS) Driver Services/Motor Vehicle (DSMV) will need to be modified for a project cost of \$340,000 with yearly maintenance of \$20,000. The following additional staff within Sales and Use Tax Section of DFA would be required to process requests for farmer sales tax identification cards:

One Fiscal Support Supervisor GS06 - \$52,492
Three Fiscal Support Analysts GS05 at \$47,869 - \$143,607

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

Computer programs, websites, and training manuals will need to be updated to account for the changes.



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Other Comments:

None.

Legal Analysis:

HB1594 may benefit from an amendment to define the term "eligible farmer" and specify what information must be submitted to DFA to verify that the applicant is engaged in farming as a business, and whether the identification card must be periodically renewed.

HB1594 may also benefit from an amendment to specify which exemptions in § 26-52-401 et. seq. a farmer may claim using the identification card, and whether a farmer who presents an identification card is exempt from the requirements of § 26-52-403(d) or providing a Commercial Farming Machinery and Equipment Sales Tax Exemption Certification under Gross Receipts Tax Rule GR-51.