



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

Bill: HB1671

**Bill Subtitle: TO AMEND THE LAW CONCERNING THE GROSS RECEIPTS TAX; AND TO
CREATE A GENERAL SALES AND USE TAX EXEMPTION FOR SALES TO QUALIFIED
NONPROFIT ORGANIZATIONS.**

Sponsors:

Rep. L. Johnson

Basic Change:

HB1671 creates an exemption from sales and use tax for sales to qualified nonprofit organizations.

A qualified nonprofit organization is an organization that:

- Is an exempt organization under 26 U.S.C. § 501(c)(3) as it existed on January 1, 2025;
- Has an annual operating budget of less than \$200,000; and
- Performs charitable community-based services in the state to benefit residents that are in need of assistance.

Under HB1671, the sale of tangible personal property, taxable services, and taxable digital goods to a qualified nonprofit organization would be exempt if the total gross receipts is \$2,000 or less.

A nonprofit organization requesting to be recognized as a qualified nonprofit organization must apply with the Department of Finance and Administration (DFA). DFA is required to respond in writing by issuing an exemption certificate or denying the application. DFA is required to revoke an exemption certificate if it is determined that an organization no longer qualifies for the exemption.

DFA is permitted to promulgate rules regarding the application and reverification process.

HB1671 is effective on the first day of the calendar quarter following the effective date of the act.

Fiscal Impact:

Undetermined loss to sales and use tax collections.

Taxpayer Impact:

A qualified nonprofit organization may apply and receive sales tax exemption status.

Resources Required:

DFA will develop an application, verification and reverification process that will process and track submissions by nonprofit organizations. AIRS will require modification and the new process added to Arkansas Taxpayer Access Point (ATAP). The project is estimated to cost \$36,000 for developing, testing, and training employees on the new application process.



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The process of verifying submitted documentation and issuing of exemption certificates requires two A091C Fiscal Support Analysts \$47,869 each. The reverification process will require two auditors, A054C Tax Auditor II at \$69,834 each to administer the program. The total cost for personnel is \$235,406.

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. DFA will design and implement the new process for certifying qualified non-profit organizations.

Other Comments:

Page 2, lines 3-4 states the exemption is for items or transactions more than \$2,000. Clarification by amendment may be helpful to define what is meant by "transaction".

Legal Analysis:

The State of Arkansas is a full member of the Streamlined Sales and Use Tax Agreement (SSUTA). The SSUTA provides "no member state may have caps or thresholds on the application of state sales and use tax rates or exemptions that are based on the value of the transaction or item." SSUTA, Section 323. In order to comply with the SSUTA, HB1671 would need to remove the limitation of the exemption to transactions of \$2,000 or less.