

State of Arkansas Department of Finance and Administration Fiscal Impact Statement

Bill: SB289Amendment Number: S1Bill Subtitle: TO CUT THE STATEWIDE SALES TAX RATE BY ONE-EIGHTH PERCENT TO
REDUCE THE SURPLUS FUNDS COLLECTED FROM ARKANSAS TAXPAYERS.

Sponsor:

Sen. Dotson

Basic Change:

SB289-S1 (engrossed 2/27/25) reduces the special revenue sales and use tax rate that funds the Property Tax Relief Trust Fund from .5% to .375%.

In November 2000, voters approved Arkansas Constitutional Amendment 79 to provide property tax relief. In response, the Arkansas General Assembly increased the Arkansas sales and use tax rate by .5% effective January 1, 2001. The revenues from this .5% sales and use tax are special revenues credited to the Property Tax Relief Trust Fund. In addition, the General Assembly established the Homestead Property Tax Credit at \$300 per homestead, which has been raised to \$500 per homestead.

The Property Tax Relief Trust Fund is a special revenue trust fund used to reimburse each county treasurer in accordance with the counties' proportionate share of the total statewide property tax reduction for that calendar year. The Property Tax Relief Trust Fund is funded by the dedicated .5% sales and use tax levy. SB289 reduces the special revenue sales and use tax rate from .5% to .375%. SB289 does not reduce the excise tax on dyed distillate special fuel, 8.5% of which is deposited in the Property Tax Relief Trust Fund.

Fiscal Impact:

FY2026

Total Approximate State Sales and Use Tax Loss

(Estimated Effective Date 10/1/2025 --- 8 months reduced tax collection)

Property Tax Relief - .5% State Central Services -Constitutional Officers - -\$65,087,000 -\$1,342,000 -\$671,000

Total Approximate Local City and County Sales and Use Tax Loss \$0

FY2027

Total Approximate State Sales and Use Tax Loss

-\$103,700,000

-\$67,100,000

Property Tax Relief - .5% State Central Services - -\$100,589,000 -\$2,074,000



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Constitutional Officers -

-\$1,037,000

Total Approximate Local City and County Sales and Use Tax Loss \$0

[Tax collected for FY2024 was used to calculate the fiscal impact.]

Taxpayer Impact:

The sales and use tax rate will be reduced to 6.375%.

Resources Required:

The paper and online versions of the sales tax return will require updating along with general ledger accounts to ensure proper revenue distribution. Testing of these changes will require coordination with the forms vendor. Estimated cost for programming changes to the Arkansas Integrated Revenue System (AIRS) is \$14,000.

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.

Other Comments:

None.

Legal Analysis:

None.
