



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

Bill: SB577

Bill Subtitle: TO AMEND THE LAW CONCERNING LOCAL SALES AND USE TAXES; AND TO REQUIRE THE DEPARTMENT OF FINANCE AND ADMINISTRATION TO NOTIFY LOCAL GOVERNMENTS CONCERNING SALES AND USE TAXES THAT ARE SET TO EXPIRE.

Sponsors:

Sen. Petty

Reps. Hall and Puryear

Basic Change:

Arkansas law permits local jurisdictions to adopt ordinances levying local sales and use taxes for certain purposes; however, the levy is not effective until the ordinance has been placed before voters of the jurisdiction and a majority of voters have approved the ordinance. In some instances, the ordinance may set forth a specific date that the tax levy is to expire. Local jurisdictions can also adopt ordinances to extend an expiration date of a tax under certain circumstances and these ordinances likewise must be placed before voters for approval.

Various sections of the code set forth election processes and requirements a local jurisdiction must follow for elections concerning both the initial levy of a local sales and use tax and the extension of an expiration for an existing tax. SB577 amends several such sections concerning the extension of existing taxes to additionally require that the Department of Finance and Administration (DFA) provide notice to a local jurisdiction of the expiration date of a sales and use tax levy at least 120 days prior to the expiration date. DFA is also required to inform the local jurisdiction of the specific requirements set forth in the relevant statutes with which the local jurisdiction must comply to extend the sales and use tax.

SB577 applies to:

- Sales and use taxes levied by counties for certain capital improvements (§ 26-74-208, § 26-74-308, and § 26-74-603);
- Sales and use taxes levied by municipalities for certain capital improvements (§ 26-75-208 and § 26-75-308); and
- Sales and use taxes levied by local jurisdictions for certain economic development projects (§ 26-82-104).

Fiscal Impact:

None.

Taxpayer Impact:

DFA shall notify local governments prior to the expiration of certain local sales and use tax levies. Taxes will continue to be collected in each county or city.



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Resources Required:

The Arkansas Integrated Revenue System (AIRS) will require programming estimated to cost \$104,000 with no ongoing annual maintenance. Additional staff within the Excise Tax Section of DFA may be needed to administer the notification process.

Time Required:

The time provided for implementation of the notification process is not adequate. The design, development, testing, and implementation would require six months. The Department would need to determine if the required notifications could be sent manually until the system solution is complete.

Procedural Changes:

None.

Other Comments:

None.

Legal Analysis:

SB577 may benefit from an amendment to strike the provision that DFA advise local governments of the legal requirements for an election to levy a sales and use tax. Local governments should rely on their own counsel or the counsel for the Arkansas Municipal League or Association of Arkansas Counties for legal advice.