

SUMMARY OF PROPOSAL #4
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Partial Sales Tax Exemption on the Sale of Manufactured Homes and Modular Homes

Summary of Proposal for Consideration

To repeal the partial sales tax exemption for sales of new manufactured homes and modular homes under Arkansas Code § 26-52-802, effective for tax years beginning on or after January 1, 2019.

Fiscal Analysis

Repeal of the exemption may result in an estimated \$2,112,085 per year increase to General Revenue based upon FY17, as provided by the Department of Finance and Administration’s “Sales and Use Tax Revenue Impact of Exemptions” presentation to the Arkansas Tax Reform and Relief Legislative Task Force on March 19, 2018.

Legal Analysis

Background

Arkansas currently only taxes sixty-two percent (62%) of the gross sales price for sales of new manufactured homes and modular homes. Arkansas has a sales tax exemption on the sale of a mobile home, or on a subsequent sale of a manufactured or modular home.

ACT 1068 of 1985 created a full sales tax exemption on the sale of a manufactured home, including a modular home and a mobile home.

ACT 2254 of 2005 amended the sales tax exemption on manufactured homes to tax sixty-two percent (62%) of the gross sales price for sales of new manufactured homes and modular homes, and provided full sales tax exemption on the sale of a mobile home or on a subsequent sale of a manufactured home or modular home, and has not been amended since.

Potential Legal Issues

None.

Other States

- Iowa: Taxes sixty percent (60%) of the sales price of a modular home, and taxes twenty percent (20%) of the sales price of a new mobile home or manufactured home; sales tax exemption on mobile, manufactured and modular homes for which the sales tax has previously been paid. (IA St. § 423.3)
- Louisiana: Taxes forty-six (46%) of the gross sales price on sales of new manufactured homes and modular homes, including mobile homes. Sales of used manufactured homes, including modular and mobile homes, are exempt from sales tax. (LA St. §47:301)

- Mississippi: Sales of new manufactured, mobile and modular homes are subject to a reduced sales tax of three percent (3%). (MS St. § 27-19-101)
- Missouri: Taxes sixty percent (60%) of the sales price of a new manufactured, modular, or mobile home. Used manufactured, modular and mobile homes are exempt from sales tax, if the tax was previously paid. (MO St. § 144.030.2)
- Oklahoma: Taxes fifty-five percent (55%) of the sale price of a modular home, includes manufactured and mobile homes. Sales of used manufactured homes are exempt from sales tax. (OK St. 68 § 1354)
- Tennessee: Gross receipts from the sale of manufactured homes, including accessories, furnishings, and delivery or installation fees, are taxed at half the current rate of state tax. The sale of a used factory-manufactured home is exempt from the sales tax if a person can show that someone paid Tennessee sales tax on the home in a prior transaction. (TN St. § 67-6-320)
- Texas: New manufactured homes, including modular and mobile homes, are subject to a sales tax of five percent (5%) of sixty-five percent (65%), or .0325% of the sales price stated on the invoice. Sales of used manufactured homes, including modular and mobile homes, are exempt from sales tax. (TX St. § 151.154)