

**SUMMARY OF PROPOSAL #5**  
*for consideration by the*  
**ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**

**TOPIC: Sales Tax Exemption on the Services Purchased by Radio and Television Companies.**

**Summary of Proposal for Consideration**

To repeal the sales tax exemption on the services purchased by radio and television companies for use in providing their services under Arkansas Code § 26-52-301(3)(C)(ii), effective for tax years beginning on or after January 1, 2019.

**Fiscal Analysis**

Repeal of the exemption may result in an estimated \$3,246,234 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 has a sales tax exemption on the services purchased by radio and television companies for use in providing their services. Unlike tangible personal property, the sale of which is presumed taxable before evaluating whether there are exemptions that could make it nontaxable, services are presumed to be nontaxable unless the service is enumerated, meaning that the service is designated as a taxable service.

ACT 188 of 1987 created a sales tax on the service of cable television, community antenna television, and any and all other distribution of television, video, or radio services with or without the use of wires provided to subscribers or paying customers or users, including all service charges and rental charges, whether for basic service, premium channels, or other special service, and including installation and repair service charges and any other charges having any connection with the providing of these services.

ACT 769 of 1989 exempted services purchased by radio or television companies for use in providing their services from the sales tax enumerated in ACT 188 of 1987, and has not been amended since.

***Potential Legal Issues***

None.

***Other States***

- Iowa: No enumerated sales tax on services provided by a radio station. However, Iowa does tax persons engaged in the business of distributing the signals of one or more television broadcasting stations, or other television programming to subscribers, and using any transmission path, including a cable, for these signals

are rendering the service of “pay television,” the gross receipts of which are subject to tax, includes gross receipts from service broadcasting signals from a satellite directly to a customer’s “satellite dish” or other receiving antenna, and the gross receipts from a “pay television service.” (IA St. § 422.43)

- Louisiana: Sales tax exemption on the sales, use and lease amounts paid by radio and television broadcasters for the right to exhibit or broadcast copyrighted material and the use of film, video or audio tapes, records or any other means supplied by licensors thereof in connection with such exhibition or broadcast; provides a sales tax exemption on machinery and equipment purchased by the owner of a radio station located within the state that is licensed by the Federal Communications Commission for radio broadcasting. (LA. St. § 47:301 & § 47:305)
- Mississippi: Sales tax exemption for radio and television audio and video programming services regardless of the medium of delivery, and the transmission, conveyance or routing of the service by the programming service provider. (MS St. § 27-65-23)
- Missouri: Sales tax exemption on all utilities, machinery, and equipment used or consumed directly in television or radio broadcasting; no enumerated service sales tax on services purchased by television and radio stations. (MO St. §144.054.3)
- Oklahoma: Sales tax exemption for television and radio broadcasters for sales of machinery and equipment that is used directly in the manufacturing process, machinery and equipment that is necessary for the proper production of a broadcast signal, or machinery and equipment which would cause broadcasting to cease if it failed to operate. Sales of tangible personal property purchased and used by a licensed radio or television station in broadcasting is subject to sales tax. (OK St. 68 § 1359)
- Tennessee: Taxes video programming services, including broadband television services, services purchased by radio companies for use in providing their services is not an enumerated taxable service, including use of recording studios; provides a sales tax exemption on the fees resulting from the production of film, television and radio. (TN St. § 67-6-330)
- Texas: No enumerated sales tax on services provided by radio or television station, except for cable and satellite television services; provides a sales tax exemption on property used in the production of motion pictures, or video, or audio recordings and broadcasts. (TX St. §151.323)