

**SUMMARY OF PROPOSAL #7**  
*for consideration by the*  
**ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**

**TOPIC: Sales Tax Exemption on Services Provided by Coin-Operated Car Washes**

**Summary of Proposal for Consideration**

To repeal the sales tax exemption for services provided by coin-operated car washes where the labor is performed solely by the customer or mechanical equipment under Arkansas Code § 26-52-301(3)(B)(ii), effective for tax years beginning on or after January 1, 2019.

**Fiscal Analysis**

Repeal of the exemption may result in an estimated \$100,813 per year increase to General Revenue based upon FY11, 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 for services provided by coin-operated car washes where the labor is performed solely by the customer or mechanical equipment. 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 214 of 1971 designated the cleaning of motor vehicles as an enumerated taxable service.

ACT 181 of 1973 created a sales tax exemption for coin-operated car washes, by exempting coin-operated car washes from the general service sales tax of cleaning motor vehicles, and has not been amended since.

***Potential Legal Issues***

None.

***Other States***

- Iowa: Car and vehicle wash and wax is a taxable service, including machine or coin-operated devices. (IA St. § 422.43).
- Louisiana: Sales tax exemption for cleaning services when customer personally operate cleaning equipment for a fee, would include coin-operated car washes. (LA St. § 47:301).
- Mississippi: Sales tax exemption on the operations of self-service, coin operated car washing equipment and sales of the service of washing motor vehicles with portable high pressure washing equipment on the premises. (MS St. § 27-65-101)

- Missouri: No enumerated sales tax on services related to a car wash.
- Oklahoma: No enumerated sales tax on services related to a car wash.
- Tennessee: Sales tax exemption on coin-operated car washes. (TN St. § 67-6-205)
- Texas: Sales tax exemption on coin-operated services, including coin-operated car washes. (TX. St. 151.335)