

**SUMMARY OF PROPOSAL #8**  
*for consideration by the*  
**ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**

**TOPIC: Sales Tax Exemption on Sales of Four-Wheelers and All-Terrain Vehicles (ATV) for Farm Use**

**Summary of Proposal for Consideration**

To repeal the sales tax exemption on sales of four-wheelers and all-terrain vehicles (ATVs) for farm use under Arkansas Code § 26-52-403, effective for tax years beginning on or after January 1, 2019.

**Fiscal Analysis**

Repeal of the exemption may result in an estimated \$20,700,000 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. This fiscal analysis includes the entire sales tax exemption for sales of machinery and equipment used exclusively and directly in farming for commercial purposes in the production of food and fiber, including machinery and equipment used for production of sod and nursery products.

It may not be possible to isolate the revenue increase if the sales tax exemption on farm machinery and equipment is only amended to repeal the sales tax exemption for four-wheelers and ATVs. According to the Department of Finance and Administration, few four-wheelers and ATVs are able to meet the requirements of exclusive and direct use in the production of food or fiber to satisfy the sales tax exemption for sales of four-wheelers and ATVs used directly in farming for commercial purposes.

**Legal Analysis**

***Background***

Arkansas currently has a sales tax exemption for sales of four-wheelers and ATVs that are not subject to vehicle registration and satisfy the definition of "farm equipment and machinery." "Farm equipment and machinery" means equipment and machinery that are used in farming for commercial purposes in the production of food and fiber, including the production of sod and nursery products.

ACT 432 of 1981 created the sales tax exemption on farm equipment and machinery.

ACT 1033 of 1999 added "agricultural production of grass sod or nursery products" in the definition of agricultural production, and has not been amended since.

***Potential Legal Issues***

None.

### *Other States*

- Iowa: Sales tax exemption on sales of four-wheelers and ATVs, if primarily used in agricultural production. (IA St. § 423.3)
- Louisiana: Sales tax exemption on the first \$50,000 of the sale price of qualifying farm equipment, including vehicles used exclusively on a commercial farm or in the production and harvesting of food and fiber that is intended for sale. (LA St. § 47:305)
- Mississippi: Sales of three wheelers, four wheelers or other ATVs are taxable at the regular retail rate unless the unit has a power takeoff and such power take-off is used to power an attached piece of farm machinery and is used exclusively for agricultural purposes. (MS St. § 27-65-17)
- Missouri: Sales tax exemption on sales of utility vehicles and four wheelers used directly for farm use. (MO St. § 144.030)
- Oklahoma: Sales tax exemption on sales of utility vehicles if used as farm machinery directly on a farm or ranch. (OK St. 68 § 1358)
- Tennessee: Sales tax exemption on sales of four-wheelers and ATVs for use directly and principally in the production of agricultural or nursery products for sale and consumption off the premises. (TN St. § 67-6-207)
- Texas: Sales tax exemption for sales of off-road vehicles, such as four-wheelers, ATVs and utility vehicles, used exclusively on a farm, ranch or in a timber operation in the production of agricultural or timber products for sale. (TX St. § 151.316)