

SUMMARY OF PROPOSAL #10
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Back-to-School Tax Holiday

Summary of Proposal for Consideration

To repeal the back-to-school tax holiday for school supplies, clothing and clothing accessories on the first weekend in August under Arkansas Code § 26-52-444, effective for tax years beginning on or after January 1, 2019.

Fiscal Analysis

Repeal of the exemption may result in an estimated \$1,834,615 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 back-to-school tax holiday for school supplies, school art supplies, school instructional material, clothing of less than \$100, and clothing accessories less than \$50, on the first weekend in August.

ACT 757 of 2011 created the back-to-school tax holiday, and has not been amended since.

Potential Legal Issues

Arkansas is a member of the Streamlined Sales and Use Tax Agreement (SSUTA). As a member, Arkansas is not permitted to create a tax holiday for items not listed in the SSUTA’s sales tax holiday definitions section. Arkansas may repeal the tax holiday, or make changes to the tax holiday in accordance with the requirements of the SSUTA.

Other States

- Iowa: Has a back-to-school sales tax holiday on clothing and footwear with a sale price of less than \$100 (excludes accessories, clothing rentals, athletic and protective clothing). (IA St. § 423)
 - Iowa is a member of the SSUTA
- Louisiana: Has a general sales tax holiday the first weekend of August on the first \$2500 of all noncommercial purchases (excluding leases) of items of tangible personal property; sales tax holiday excludes vehicles or meals. (LA St. § 47:337.10)
 - Louisiana is not a member of the SSUTA

- Mississippi: Has a back-to-school sales tax holiday on clothing or footwear with a sales price of under \$100 per item (excludes accessories, rentals, skis, swim fins or skates). (MS. St. § 27-65-111)
 - Mississippi is not a member of the SSUTA
- Missouri: Has a back-to-school sales tax holiday on noncommercial purchases of clothing with a taxable value of \$100 or less per item (excludes accessories), school supplies up to \$50 per purchase, computer software with a taxable value of \$350 or less, personal computers and computer peripherals up to \$1500, and graphing calculators with a taxable value of less than \$150. (MO St. § 144.049)
 - Missouri is not a member of the SSUTA
- Oklahoma: Has a back-to-school sales tax holiday on articles of clothing “designed to be worn on or about the human body” with a sales price of less than \$100 (excludes accessories, rentals, athletic clothing and protective clothing). (OK. St. 68 § 1377)
 - Oklahoma is a member of the SSUTA
- Tennessee: Has a back-to-school sales tax holiday on clothing with a sales price of less than \$100 (excludes accessories), school supplies and school art supplies with a sales price of \$100 or less per item, and computers with a sales price of \$1500 or less. (TN St. § 67-6-393)
 - Tennessee is an advisory member of the SSUTA
- Texas: Has a back-to-school sales tax holiday on clothing and footwear with a sales price of less than \$100 per item (excludes accessories, rentals, and athletic or protective clothing), and school supplies and school backpacks with a sales price of less than \$100 per item. (TX St. § 151.326)
 - Texas is not a member of the SSUTA