

SUMMARY OF PROPOSAL #13
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Sales Tax Exemption on the Sale of Expendable Supplies for Farm Machinery, including Baling Twine

Summary of Proposal for Consideration

To repeal the sales tax exemption on the sale of expendable supplies for farm machinery, including baling twine under Arkansas Code § 26-52-408, effective for tax years beginning on or after January 1, 2019.

Fiscal Analysis

Repeal of the exemption may result in an estimated \$875,631 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 for sales of expendable supplies for farm machinery, including baling twine.

ACT 759 of 1975 created the sales tax exemption for sale of bagging and other packaging and tie materials sold to and used by cotton gins for packaging or tying baled cotton, and further included exemption for twine used in production of tomato crops.

ACT 1392 of 2013 expanded the sales tax exemption to expendable supplies for farm machinery to include without limitation baling twine, net wrap, silage wrap and cotton wrap or sealing animal feed products, and has not been amended since.

Potential Legal Issues

None.

Other States

- Iowa: Sales tax exemption for sales of expendable supplies including property which is a container, label, carton, pallet, packing case, wrapping, baling wire, twine, bag, bottle, or similar article sold for use in agricultural, livestock, or dairy production. (IA St. § 423.3).
- Louisiana: No exemption.
- Mississippi: Sales tax exemption on sales of bagging and ties for baling cotton, hay baling wire and twine, boxes and bags. (MS St. § 27-65-103)

- Missouri: Sales tax exemption on sales of agricultural supplies, including baler twine and baler wire used exclusively for agricultural production. (MO St. §144.030)
- Oklahoma: Sales tax exemption on sales of expendable supplies, such as baling wire, and binders twine, hand tools, and implements such as fence stretchers, picks, posthole diggers, scoops and shovels, if used directly on a farm or ranch in the production of agricultural products. (OK St 68 § 1358)
- Tennessee: No exemption.
- Texas: Sales tax exemption on sales of farming supplies, including baling twine and baling wire. (TX St. §151.316)