

**SUMMARY OF PROPOSAL #18**  
*for consideration by the*  
**ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**

**TOPIC: Sales Tax Exemption for Sales of Fuel to Vessels, Barges, Other Commercial Watercraft, and Railroads.**

**Summary of Proposal for Consideration**

To repeal the sales tax exemption on the sale of special fuel or petroleum products for consumption by vessels, barges, other commercial watercraft, and railroads under Arkansas Code § 26-52-401(11)(A)(ii), effective for tax years beginning on or after January 1, 2019.

**Fiscal Analysis**

Repeal of the exemption may result in an estimated \$7,502,971 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 sale of special fuel or petroleum products for consumption by vessels, barges, other commercial watercraft, and railroads.

ACT 928 of 1975 created the sales tax exemption on the sale of special fuel or petroleum products for consumption by vessels, barges, other commercial watercraft, and railroads, and has not been amended since.

***Potential Legal Issues***

None.

***Other States***

- Iowa: Sales tax exemption on special fuel for diesel engines consumed or used in the operation of ships, barges, or waterborne vessels which are used primarily in or for the transportation of property or cargo, or the conveyance of persons for hire on rivers bordering on the state if the fuel is delivered by the seller to the purchaser's barge, ship, or waterborne vessel while it is afloat upon such a river; no specific sales tax exemption for railroads. (IA St. § 423.3)
- Louisiana: Sales tax exemption on materials and supplies, including diesel and special fuel, used for barges, vessels, other commercial watercraft and railroads involved in interstate commerce. (LA St. §47:302).
- Mississippi: Sales tax exemption on sales of petroleum products to vessels or barges for consumption in marine international commerce or interstate transportation businesses, there is also a reduced tax equal to one and one-half

percent (1.5%) on fuel sold to operate railroad locomotives. (MS St. § 27-65-101 & § 27-65-19)

- Missouri: Sales tax exemption on sales of fuel consumed or used in the operation of ships, barges, or waterborne vessels which are used primarily in or for the transportation of property or cargo, or the conveyance of persons for hire, on navigable rivers bordering on or located in part in this state, if such fuel is delivered by the seller to the purchaser's barge, ship, or waterborne vessel while it is afloat upon such river, there is also a sales tax exemption and special fuel tax on railroad companies. (MO St. § 144.030).
- Oklahoma: Sales tax exemption on sales of diesel fuel sold for consumption by commercial vessels, barges and other commercial watercraft. Railroads not subject to sales tax, instead subject to motor fuel tax. (OK St. 68 § 500.10)
- Tennessee: Sales tax exemption on sales of special gallon diesel tax for commercial carriers and for agricultural purposes. (TN St. § 67-3-1401)
- Texas: Sales tax exemption on fuel purchased by the operator for use in boats or stationary equipment, and sales tax exemption for fuel and supplies essential to the operation of trains. (TX St. § 151.331)