

**SUMMARY OF PROPOSAL #19**  
*for consideration by the*  
**ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**

**TOPIC: Sales Tax Exemption for Sales or Rental of Advertising Space in Newspapers & Publications**

**Summary of Proposal for Consideration**

To repeal the sales tax exemption on the sale or rental of advertising space in newspapers and publications under Arkansas Code § 26-52-401(13), effective for tax years beginning on or after January 1, 2019.

**Fiscal Analysis**

Repeal of exemption may result in an estimated \$8,145,704 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 Legislative Task Force on March 19, 2018.

**Legal Analysis**

***Background***

Arkansas currently has a sales tax exemption on the sale or rental of advertising space in newspapers and publications.

ACT 386 of 1941 created the sales tax exemption on the sale or rental of advertising space in newspapers and publications, and has not been amended since.

***Potential Legal Issues***

None.

***Other States***

- Iowa: Sale of advertising placement is not an enumerated service subject to sales tax; sales tax exemption on the sale price from the sale of tangible personal property consisting of advertising material including paper to a person in Iowa if that person or that person's agent will, subsequent to the sale, send that advertising material outside this state and the material is subsequently used solely outside of Iowa, including any brochure, catalog, leaflet, flyer, order form, return envelope, or similar item used to promote sales of property or services. (IA St. § 423.3)
- Louisiana: Sales tax exemption for advertising services by an advertising agency. This sales tax exemption applies to advertising services and to tangible personal property sold if advertising services constitute a major part of the tangible personal property produced. Sales tax exemption does not apply to the transfer of mass-produced advertising items by an advertising business that involves furnishing minimal services by the advertising business. Pure advertising services were never considered to be taxable. (LA St. §47:302).

- Mississippi: Sale of advertising placement is not subject to tax in Mississippi. Sales of advertising material such as brochures and catalogs are subject to Mississippi's sales and use taxes as tangible personal property. (MS St. §27-65-17)
- Missouri: Sales tax exemption on all sales of advertising by legal newspapers, advertising agencies, broadcast stations, and standardized outdoor billboard advertising. (MO St. § 144.034)
- Oklahoma: Sales tax exemption on sales of advertising space in newspapers and periodicals. (OK St. 68 § 1357)
- Tennessee: Sales tax exemption for charges to advertise in newspapers, magazines, brochures, programs, etc. (TN St. § 67-6-205)
- Texas: Sales tax exemption on placement of advertisements; sales tax exemption on advertising supplements printed to the special order of a customer, distributed as part of the newspaper and delivered to the person who is responsible for the distribution of the newspaper in which the item is distributed (i.e., not delivered to the customer). (TX St. § 151.321)