

SUMMARY OF PROPOSAL #21
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Sales Tax Exemption for Sales of Baby Chickens

Summary of Proposal for Consideration

To repeal the sales tax exemption on the sale of baby chickens under Arkansas Code § 26-52-401(18)(A)(v), effective for tax years beginning on or after January 1, 2019.

Fiscal Analysis

Repeal of exemption may result in an estimated \$14,133,235 per year increase to General Revenue based upon FY11, 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 baby chickens.

ACT 386 of 1941 created the sales tax exemption on the sale of poultry.

ACT 15 of 1949 specifically created a sales exemption for baby chickens under the sales tax exemption on the sale of poultry, and has not been amended since.

Potential Legal Issues

None.

Other States

- Iowa: Sales tax exemption on the sale of agricultural livestock and domesticated fowl, includes baby chickens (IA St. § 423.3)
- Louisiana: Sales tax exemption on the sale of livestock, poultry, and other farm products direct from the farm, provided that such sales are made directly by the producers, includes baby chickens. Sales tax exemption on the sale of an agricultural commodity sold by any person, other than a producer, to any other person who purchases not for direct consumption but for the purpose of acquiring raw product for use or for sale in the process of preparing, finishing, or manufacturing such agricultural commodity for the ultimate retail consumer trade, includes items related to horticultural, viticultural, poultry, farm and range products, and livestock and livestock products. (LA St. § 47:305)
- Mississippi: Sales tax exemption on the sale of baby chickens. (MS St. § 27-65-103)

- Missouri: Sales tax exemption on sale of animals and poultry used for breeding or feeding purposes or in the production of food or fiber, includes baby chickens. (MO St. § 144.030)
- Oklahoma: Sales tax exemption on the sale of baby chickens, turkey poults and starter pullets used in the commercial production of chickens, turkeys and eggs, provided that the purchaser certifies, in writing, on the copy of the invoice or sales ticket to be retained by the vendor that the pullets will be used primarily for egg production. (OK St. 68 § 1358)
- Tennessee: Sales tax exemption on the sale of farm or nursery products when sold by the farmer who raised the products, regardless of purchase location. Examples of raised farm products include livestock, livestock products, nursery stock, poultry, poultry products, grains, fruits and vegetables, includes baby chickens. (TN St. § 67-6-301)
- Texas: Sales tax exemption for sale of baby chickens. (TX St. § 151.316)