

**SUMMARY OF PROPOSAL #25**  
*for consideration by the*  
**ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**

**TOPIC: Sales Tax Exemption on the Sales of Feedstuffs used in Commercial Production of Livestock or Poultry**

**Summary of Proposal for Consideration**

To repeal the sales tax exemption on the sale of feedstuffs used in the commercial production of livestock or poultry under Arkansas Code § 26-52-404, effective for tax years beginning on or after January 1, 2019.

**Fiscal Analysis**

Repeal of the exemption may result in an estimated \$102,967,291 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 feedstuffs used in the commercial production of livestock or poultry.

ACT 94 of 1955 created the sales tax exemption on the sale of feedstuffs used in the commercial production of livestock or poultry.

ACT 1013 of 1985 defined "feedstuffs" as processed or unprocessed grains, mixed or unmixed grains, whole or ground hay, whole or ground straw, hulls, whether or not mixed with other materials, and all food supplements, whether or not nutritional or medicinal, including hormones, antibiotics, vitamins, minerals, and medications ingested by poultry or livestock, and has not been amended since.

***Potential Legal Issues***

None.

***Other States***

- Iowa: Sales tax exemption on the sale of feedstuffs used for production of livestock or poultry. (IA St. § 423.3)
- Louisiana: Sales tax exemption on the sale of feed and feed additives for animal production. (LA St. § 47:305).
- Mississippi: Sales tax exemption on the retail sale of feedstuff for livestock and poultry for agricultural production. (MS St. § 27-65-103)

- Missouri: Generally exempts the sale of feed for livestock or poultry in the production of agriculture, including food and fiber production from sales tax. (MO St. § 144.020).
- Oklahoma: Sales tax exemption on the sale of feed when sold to a person regularly engaged in farming or ranching, for profit, and the items are to be used and in fact are used in agricultural production. (OK St. 68 § 1358)
- Tennessee: Sales tax exemption on the sale of feed for livestock and poultry. (TN St. § 67-6-207)
- Texas: Sales tax exemption on the sale of feed for farm and ranch animals and for animals held for sale. (TX St. § 151.16)