

SUMMARY OF PROPOSAL #26
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Sales Tax Exemption on the Sale of Gas and Energy Produced from Biomass

Summary of Proposal for Consideration

To repeal the sales tax exemption on the sale of gas and energy produced from biomass under Arkansas Code § 26-52-429, effective for tax years beginning on or after January 1, 2019.

Fiscal Analysis

Repeal of the exemption may result in an estimated \$31,223 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 gas produced from "biomass" and sold for the purpose of generating energy, which is then sold back to the gas producer.

ACT 999 of 1997 created the sales tax exemption on the sale of gas produced from "biomass" and sold for the purpose of generating energy, which is then sold back to the gas producer, and has not been amended since.

Potential Legal Issues

None.

Other States

- Iowa: No sales tax exemption on gas and energy produced from biomass, instead provides a corporate tax credit for energy generated, sold, or consumed on-site by certain non-wind renewable energy facilities, including biomass. (IA St. § 476).
- Louisiana: Sales tax exemption on machinery and equipment used to manufacture, produce or extract biodiesel. (LA St. § 47:301)
- Mississippi: No exemption.
- Missouri: Provides a tax exemption to a manufacturing company for gas, whether natural, artificial, or propane; sales tax exemption on electricity, gas (natural, artificial, or propane), water, coal, and energy sources, chemicals, machinery, equipment and materials that are used or consumed in manufacturing, processing, compounding, mining or producing a product. (MO St. §144.030).
- Oklahoma: No exemption.
- Tennessee: Provides a sales tax credit for certain uses of biomass, by allowing a taxpayer to take a credit, to apply for a refund of taxes paid, or to apply for

authority to make tax-exempt purchases of machinery and equipment used to produce electricity in a certified green energy production facility. (TN St. § 67-6-346)

- Texas: No exemption.