

SUMMARY OF PROPOSAL #29
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Sales Tax Exemption for Sales of Class Five – Class Eight Trucks

Summary of Proposal for Consideration

To repeal the sales tax exemption on the gross receipts in excess of nine thousand one hundred fifty dollars (\$9,150) of the selling price of a class five – class eight truck tractor under Arkansas Code § 26-52-436 and § 26-53-141, effective for tax years beginning on or after January 1, 2019.

Fiscal Analysis

Repeal of the exemption may result in an estimated \$18,476,052 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. However, this fiscal impact includes the exemption on the sale of a semi-trailers and sales of a class six and class seven truck registered with the International Registration Plan.

Legal Analysis

Background

Arkansas currently has a sales tax exemption on the gross receipts in excess of nine thousand one hundred fifty dollars (\$9,150) of the selling price of a class five – class eight truck tractor. Arkansas also has a sales tax exemption on the sale of a semi-trailers and sales of a class six and class seven truck registered with the International Registration Plan.

ACT 551 of 2003 created the sales tax exemption on the gross receipts in excess of nine thousand one hundred fifty dollars (\$9,150) of the selling price of a class five – class eight truck tractor.

ACT 1058 of 2011 created the sales tax exemption on the sale of a semi-trailers and sales of a class six and class seven truck registered with the International Registration Plan, and has not been amended since.

Potential Legal Issues

The International Registration Plan is a registration reciprocity agreement among states of the United States, the District of Columbia, and provinces of Canada providing for payment of apportionable fees on the basis of total distance operated in all jurisdictions. The provision relating to the sales tax exemption on the sale of semi-trailers and sales of a class six and class seven truck registered with the International Registration Plan is governed by this agreement. It appears that all states have this provision and have a corresponding sales tax exemption.

Other States

- Iowa: Sales tax exemption for the sale of trailers and semi-trailers that are deemed to be used substantially in interstate commerce and to be registered for a gross weight of thirteen (13) tons or more and provides a sales tax exemption on the sale of trucks and truck-tractors with a gross vehicle weight rating of ten thousand (10,000) pounds or greater and trailers, semitrailers, or passenger busses that are registered through the International Registration Plan, and are operated under authority of a carrier authorized and certificated by the United States department of transportation or another federal authority to engage in the carriage of persons or property in interstate commerce. (IA St. § 423.6 & § 423.3)
- Louisiana: Sales tax exemption on the sale of trucks with a gross weight of twenty-six thousand (26,000) pounds or more and on the sale of trailers and contract carrier busses used at least eighty percent (80%) of the time in interstate commerce and whose activities are subject to the jurisdiction of the United States Department of Transportation, including the International Registration Plan. (LA St. § 47:305)
- Mississippi: Sales tax exemption on the sale, or the renting or leasing of truck-tractors and semi-trailers used in interstate commerce and registered under the International Registration Plan or any similar reciprocity agreement or compact relating to the proportional registration of commercial vehicles; similar vehicles not used in interstate commerce and not registered in such a plan are taxed at the special rate of three percent (3%); special rate of tax on sales and rentals of automobiles and trucks with a gross weight of ten thousand (10,000) pounds or less are taxed at a special rate of five percent (5%). (MS St. § 27-19-101)
- Missouri: Sales tax exemption on the sale of motor vehicles registered in excess of fifty-four thousand (54,000) pounds, and the trailers pulled by such motor vehicles, that are actually used in the normal course of business to haul property on the public highways of the state, and that are capable of hauling loads commensurate with the motor vehicle's registered weight; and the materials, replacement parts, and equipment purchased for use directly upon, and for the repair and maintenance or manufacture of such vehicles; includes sales tax exemption under the International Registration Plan. (MO St. § 144.030.2)
- Oklahoma: Sales tax exemption on the sale of trucks and truck-tractors with a Gross Vehicle Weight Rating (GVWR) of ten thousand one (10,001) pounds or greater, trailers, semitrailers, or passenger buses that are, registered through the International Registration Plan and operated under authority of a carrier authorized and certificated by the United States Department of Transportation or another federal authority to engage in the carriage of persons or property in interstate commerce. (OK St. 68 § 1354.27)
- Tennessee: Sales tax exemption on trucks and truck-tractors with a gross vehicle weight rating (GVWR) of ten thousand one (10,001) pounds or greater, trailers, semi-trailers, or passenger buses that are registered through the International Registration Plan and operated under authority of a carrier authorized and certificated by the United States department of transportation or another federal authority to engage in the carriage of persons or property in interstate commerce. (TN St. § 67-6-902)

- Texas: Sales tax exemption on the sale of interstate motor vehicles, trailers and semitrailers, unless they cease to be used for interstate commerce within one year of the date the vehicle was purchased in Texas, or the date the vehicle was first brought into Texas; exempts an interstate motor vehicle operated for which registration fees could be apportioned if the motor vehicle were registered in a state or province of a country that is a member of the International Registration Plan. (TX St. § 151.089)