

SUMMARY OF PROPOSAL #35
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Sales Tax Exemption on Sales of Tickets by Municipalities or Counties

Summary of Proposal for Consideration

To repeal the sales tax exemption on the sale of tickets for admission to places of amusement or athletic, entertainment, or recreational events by a municipality or county under Arkansas Code § 26-52-411, effective for tax years beginning on or after January 1, 2019.

Fiscal Analysis

Repeal of exemption may result in an estimated \$112,783 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 tickets for admission to places of amusement or athletic, entertainment, or recreational events by a municipality or county.

ACT 501 of 1981 created the sales tax exemption on the sale of tickets for admission to places of amusement or athletic, entertainment, or recreational events by a municipality.

ACT 657 of 2007 added the provision that counties would also be exempt under this sales tax exemption, and has not been amended since.

Potential Legal Issues

None.

Other States

- Iowa: Sales tax exemption for sales by government entities, except for admission fees. (IA St. § 423.3)
- Louisiana: Sales tax exemption for admissions at events sponsored by domestic, civic (including government entities), educational, historical, charitable, fraternal, or religious organizations, which are nonprofit, when the entire proceeds, except for the necessary expenses connected therewith, are used for educational, charitable, religious, or historical restoration purposes including the furtherance of the organization's purpose. (LA St. § 47:305).
- Mississippi: Sales tax exemption is based on the type of activity and could apply to tickets sold by a municipality or county as follows: (MS. St. § 27-65-22)
 - Any admissions charged at any place of amusement operated by a religious, charitable or educational organization, or by a nonprofit civic

- club or fraternal organization (i) when the net proceeds of such admissions do not inure to any one or more individuals within such organization and are to be used solely for religious, charitable, educational or civic purposes; or (ii) when the entire net proceeds are used to defray the normal operating expenses of such organization, such as loan payments, maintenance costs and repairs.
- Any admissions to county, state or community fairs, or any admissions to entertainments presented in community homes or houses which are publicly owned and controlled, and the proceeds of which do not inure to any individual or individuals;
 - Any admissions or tickets to organized garden pilgrimages and to antebellum and historic houses when sponsored by an organized civic or garden club;
 - Any admissions or fees charged by any county or municipally owned and operated swimming pools, golf courses and tennis courts other than sales or rental of tangible personal property;
 - Any admissions charged for the performance of symphony orchestras, operas, vocal or instrumental artists in which professional or amateur performers are compensated out of the proceeds of such admissions, when sponsored by local music or charity associations, or amateur dramatic performances or professional dramatic productions when sponsored by a children's dramatic association, where no dividends are declared, profits received, nor any salary or compensation paid to any of the members of such associations, or to any person for procuring or producing such performance;
 - Any admissions or tickets to or for events sanctioned by the Mississippi Athletic Commission that are held within publicly owned enclosed coliseums and auditoriums;
 - Guided tours on any navigable waters of this state, which include providing accommodations, guide services and/or related equipment operated by or under the direction of the person providing the tour, for the purposes of outdoor tourism; and
- Missouri: Sales tax exemption for sales by political subdivisions of the state, includes the sale of tickets for admission to places of amusement or athletic, entertainment, or recreational events by a municipality or county on the proceeds that directly benefit the political subdivision. (MO St. § 144.030)
 - Oklahoma: Sales tax exemption on the amount of proceeds received from the sale of admission tickets which is separately stated on the ticket of admission for the repayment of money borrowed by any public trust of which a county in this state is the beneficiary, for the purpose of constructing or enlarging any facility to be used for the staging of an athletic event, a theatrical production, or any other form of entertainment, edification or cultural cultivation to which entry is gained with a paid admission ticket. Sales tax exemption on the sale of complimentary or free tickets for admission to places of amusement, sports, entertainment, exhibition, display or other recreational events or activities which are issued through a box

office or other entity which is operated by a municipality with municipal employees. (OK St. 68 § 1356)

- Tennessee: Sales tax exemption on the sales price of admissions to amusement or recreational activities or facilities conducted, produced and controlled by municipalities or counties. (TN St. § 67-6-330)
- Texas: Sales tax exemption for amusement services, if they are exclusively provided by certain organizations, including the state of Texas, a municipality, county, school district, special district or other political subdivision of Texas or the U.S.; educational, religious or charitable organizations; law enforcement associations; and other nonprofit organizations, or if the services are provided in a place designated as a historic landmark. (TX St. § 151.3101)