

**SALES TAX PROPOSAL #9**  
*for consideration by the*  
**ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**

**TOPIC:       Sales Tax Exemption; All-Terrain Vehicles Used for Farming**

**Summary of Proposal for Consideration**

It is proposed that the sales tax exemption on all purchases of four-wheelers and ATVs used as farm equipment and machinery be repealed and replaced with a tax rebate, effective for tax years beginning January 1, 2019. The purpose of this proposal is to provide economic relief to farmers from Arkansas sales tax on purchases of farm equipment and machinery used exclusively and directly in farming while limiting the potential for abuse of the sales tax exemption provided for purchases of farm equipment and machinery used exclusively and directly for farming under Arkansas Code § 26-52-403.

The form and manner of the application for the sales tax rebate to be used by a farmer when filing his or her Arkansas income tax return would be administered by the Department of Finance and Administration (DFA).

**Fiscal Analysis**

According to DFA, shifting from an exemption to a rebate for agriculturally qualified four-wheelers and ATVs would not have an immediate impact on the state tax revenue. DFA states that the administrative costs of additional filing requirements for farmers claiming a tax rebate would be offset by a reduction in the number of improperly claimed exemptions that are found through audit.