

SALES TAX PROPOSAL #16
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Sales Tax Exemptions; \$10,000 or Less

Summary of Proposal for Consideration

It is proposed that any sales tax exemption that results in a loss of general revenues of less than ten thousand dollars (\$10,000) be repealed.

Accordingly, the following sales tax exemptions would be repealed, effective for tax years beginning on or after January 1, 2019:¹

- Sales to the Arkansas Entertainers Hall of Fame Board under Arkansas Code § 13-9-104 – Fiscal impact in FY11: \$2,428;
- Repair or remanufacture of industrial metal rollers under Arkansas Code § 26-52-301(3)(B)(v) – Fiscal impact in FY11: \$4,856;
- Sales to the Poets Roundtable of Arkansas under Arkansas Code § 26-52-401(9) – Fiscal impact in FY11: \$83;
- Sales to non-profit organizations whose sole purpose is to provide temporary housing to the family of patients in a hospital or sanitarium under Arkansas Code § 26-52-401(21) – Fiscal impact in FY11: \$1,623;
- Sale of electricity used in the manufacture of aluminum metal by the electrolytic reduction process under Arkansas Code § 26-52-401(24) – Fiscal impact in FY17: \$0;
- Sales of articles sold on the premises of the Arkansas Veterans' Home under Arkansas Code § 26-52-401(25) – Fiscal impact in FY11: \$1,157;
- Sales to the Arkansas Symphony Orchestra Society under Arkansas Code § 26-52-401(37) – Fiscal impact in FY11: \$4,737;
- Sales to the Arkansas Black Hall of Fame Foundation under Arkansas Code § 26-52-401(39) – Fiscal impact in FY17: \$2,562;
- Agricultural water purchases that reduce groundwater use under Arkansas Code § 26-52-405(4) – Fiscal impact in FY17: \$0;
- Sales of twine used in the production of tomatoes under Arkansas Code § 26-52-408(2) – Fiscal impact in FY11: \$1,829;
- Sales of new motor vehicles to a veteran of the U.S. Armed Services who is blind as a result of a service-connected injury under Arkansas Code § 26-52-415(a) – Fiscal impact in FY11: \$4,483;
- Sales to the Fort Smith Clearing House under Arkansas Code § 26-52-424 – Fiscal impact in FY11: \$5,871;

¹ All fiscal impact figures are provided by the Department of Finance and Administration's "Sales and Use Tax Revenue Impact of Exemptions" presentation to the Task Force on March 19, 2018.

- Sales by gift shops operated by charitable organizations at for-profit hospitals under Arkansas Code § 26-52-430(c)(2) – Fiscal impact in FY11: \$2,269;
- Sales of natural gas and electricity used in wall and floor tile manufacturing if construction began before January 1, 2003, under Arkansas Code § 26-52-435 – Fiscal impact in FY17: \$0;
- Sale of electricity used for production of chlorine and other chemicals using a chlor-alkali manufacturing process under Arkansas Code § 26-52-438 – Fiscal impact in FY11: \$0;
- County purchases of law enforcement aircraft thermal imaging equipment under Arkansas Code § 26-52-442 – Fiscal impact in FY11: \$7,425;
- Sales to the Arkansas Search Dog Association, Inc. under Arkansas Code § 26-52-443 – Fiscal impact in FY11: \$692;
- Sales of new or used aircraft of less than two thousand dollars (\$2,000) under Arkansas Code § 26-52-505(b) – Fiscal impact in FY11: \$626; and
- Purchases of kegs by a wholesale manufacturer of beer that are used to sell beer wholesale under Arkansas Code § 26-52-445 – Fiscal impact in FY17: \$1,038.

Fiscal Analysis

According to the Department of Finance and Administration (DFA), repeal of the sales tax exemptions listed above may result in an estimated increase of forty-one thousand dollars (\$41,000) per year in general revenues.