

SALES TAX PROPOSAL #8
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Sales Tax Exemption; Coin-Operated Car Washes

Summary of Proposal for Consideration

It is proposed that the sales tax exemption for services provided by coin-operated car washes where the labor is performed solely by the customer or mechanical equipment be expanded to include services provided by all car washes under Arkansas Code § 26-52-301(3)(B)(ii), effective beginning July 1, 2019.

It is further proposed that a new fee be created that would be paid by all car wash operators in Arkansas based on the amount of water used by the car wash operator. Under this proposal, a car wash operator would pay a monthly or annual fee that would be deposited as general revenues, effective beginning July 1, 2019, as follows:

- If the car wash operator uses water from a public water system, a monthly fee of one dollar (\$1.00) per one hundred (100) gallons of water used would be assessed on the car wash operator's monthly water bill; and
- If the car wash operator uses water from a private well or non-public water system, an annual fee of one hundred dollars (\$100) for each self-service bay and one thousand dollars (\$1000) for each car wash tunnel owned by the car wash operator would be assessed on the car wash operator.

Fiscal Analysis

According to the Department of Finance and Administration (DFA), exempting all car washes from the sales tax would result in an estimated loss of one million eight hundred one thousand dollars (\$1,801,000), of which one million two hundred forty-seven thousand dollars (\$1,247,000) would be general revenue. DFA is unable to determine the total of the monthly fee or annual fee proposed. This is due to the fact that DFA does not have information regarding the amount of water, source of water, or specifics regarding the operation of these businesses.

Potential Legal Issues

None.