



Houck Transit Advertising

October 25, 2018

The Honorable Jim Hendren, Co-Chair
The Honorable Lane Jean, Co-Chair
Tax Reform and Relief Legislative Task Force
Multi-Agency Complex-Room A
1 Capitol Mall
Little Rock, Arkansas 72201

RE: Sales Tax Exemptions

Chairman Hendren and Chairman Jean:

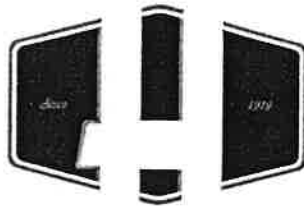
On May 22, 2017, the Arkansas Tax Reform and Relief Legislative Task Force (Task Force) met and as a part of their meeting, discussed Act 79 of 2017, creating the Task Force. In the Minutes of that meeting, the Task Force identified the following statement as one of its obligations under the Act:

Ensure fairness to all individuals and entities impacted by the state's tax laws.

The Task Force has been diligent in its evaluation of our tax laws and its current impact on Arkansans. The Task Force has spent considerable time and energy to examine the endeavors that it will take to modernize and simplify the Arkansas tax code, and to make our tax laws competitive with other states and create an environment of stability and fairness to its taxpayers.

Since that May 22, 2017 meeting, the Task Force has convened for more than 28 sessions. During that time, the Task Force heard testimony from many concerned and knowledgeable people. They expressed their views on the impact that the Task Force could have on our tax structure. The topics discussed included individual and corporate income tax, sales and use tax, excise tax, property taxes, severance taxes, real estate taxes, estate taxes, licenses, franchise tax and tax administration.

The Task Force heard from honorable state representatives, senators and tax commissioners from North Carolina, Indiana, Oklahoma and Kansas who spoke of their states respective tax structures and offered guidance and advice to the Task Force. The Task Force also heard testimony from our own state leaders in the fields of education, agriculture and business, as well as state and city administrators.



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On April 25, 2018, the Task Force heard testimony from stakeholders who spoke against repeal of certain sales tax proposals. Subsequently, motions that would have allowed the Task Force to continue to study the sales tax exemptions, failed. Stakeholders who spoke against changes to the current exemption included representatives for billboard, newspapers and magazine advertising services.

When work began, there were a total of 43 sales tax proposals. When the Final Report was issued, only four exemptions were recommended for repeal or adjustment. Sales tax exemptions for billboard, newspaper and magazine are not among these four remaining sales tax exemptions.

In the Final Report adopted on August 22, 2018 and updated on September 27, 2018, the Task Force acknowledged that it will continue to refine its tax reform and relief package for introduction during the 2019 legislative session.

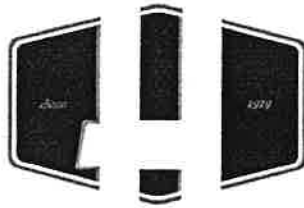
My name is Thomas Houck and I represent Houck Transit Advertising. My company sells advertising for display on public transit buses in Little Rock. Our advertising doesn't appear on billboards or in newspapers. But every time you see a city bus on the streets, you also see our advertising on the sides of those buses.

The State imposes a sales tax on our city bus advertisers. When our clients and customers place the same ads on billboards or in newspapers, the sales are exempt. I know that one of the purposes of the Task Force is to ensure fairness to all entities impacted by our state laws. Because of the treatment by the Arkansas Department of Finance and Administration, (ADFA) through its interpretation of the Arkansas Code, our advertisers are not treated the same.

We have appealed this sales tax issue to the DFA. We have made legal arguments that the exemption under the Arkansas Code should apply to ads that appear on buses, in the same way as they appear on billboards and in newspapers.

DFA responded that the sales tax exemption for newspaper advertising is tied to the definition of a newspaper. The exemption is available if the advertising medium is a publication in sheet form containing reports of current events and articles of general interest. The sales tax exemption for billboard advertising is available if the advertising is placed on a structure which is affixed to the land for the purposes of posting advertising messages.

In denying our request for equal treatment, DFA points out that a transit bus is not a newspaper, i.e., a means of publication in sheet form containing reports of current events and articles of general interest to the public, nor is a transit bus affixed to the land.



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I agree that transit buses are not newspapers or billboards. However, to use this distinction to deny a sales tax exemption for the same advertising does not ensure fairness to our citizens.

All major forms of advertising (newspapers, magazines, billboards, TV, radio, yellow pages, benches, shelters, airport, bathroom, gas station, truck sides) are all exempt. Transit bus advertising, which provides a needed and necessary mode of transportation is not.

We wish to avoid a constitutional challenge to the current taxation scheme in Arkansas, but this is discrimination. It seems like an opportune moment to respectfully ask the Task Force to step in and correct this situation, especially in light of all the effort and time that the Task Force has put in and all the hard work that you have done.

Finally, in closing, I have reviewed other presentations presented to the Task Force and in some cases, the economic effect of the repeal of an exemption on the State's revenue was presented. For example, the repeal of the exemption for newspaper and billboard advertising would generate \$17,918,503 (GR Portion-\$12,405,188) in revenue. The total revenue generated by my company and the other transit systems in Arkansas is only \$400,000 for 2017. This is only 2.2% of these other two mediums combined.

We are not advocating the repeal of the exemption for advertising media. We do think that transit bus advertising is entitled to the same exemption as newspapers and billboards.

It is respectfully requested that the sales tax exemption for transit bus advertising be extended to transit bus advertising. Attached is a Summary of Proposed Exemption for your review.

Sincerely,

Thomas Houck
Houck Transit Advertising

Enc: Summary of Proposed Exemption for Transit Bus Advertising

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