

State of Arkansas

76th General Assembly

First Extraordinary Session, 1987

HOUSE BILL

1040

By: Representative Mahony

"AN ACT TO REPEAL SUBSECTION (s) OF SECTION 4 OF ACT 386 OF 1941, AS AMENDED [ARK. STAT. 84-1904(s)], AND ACT 48 OF 1977, AS AMENDED [ARK. STAT. 84-1946 - 86-1949], WHICH PROVIDE BORDER CITY EXEMPTIONS FROM GROSS RECEIPTS TAX AND INCOME TAX; TO AMEND SECTION 1 OF ACT 63 OF THE FIRST EXTRAORDINARY SESSION OF 1983 [ARK. STAT. 84-1903.1] TO REMOVE LANGUAGE PROVIDING SPECIAL TREATMENT FOR BORDER CITIES; AND FOR OTHER PURPOSES."

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. It is hereby found and determined by the General Assembly of the State of Arkansas that H. R. 1891 and other similar legislation pending in Congress propose to assist states in collecting state sales taxes from mail order houses and other out-of-state businesses selling tangible personal property by requiring certain persons to collect a state's sales tax when the destination of the property is within the taxing state; that H. R. 1891 or a similar bill is expected to be passed by Congress and signed by the President in the near future; and that the Arkansas Gross Receipts Tax and the Compensating Tax are sales taxes and the passage of the federal legislation could help the State of Arkansas collect millions of dollars in sales taxes that would otherwise go uncollected by out-of-state businesses. It is further found that the bills pending in Congress contain language limiting the definition of state taxes to those applying in all geographical areas of the state and that the border city exemptions granted by Arkansas law from the Arkansas Income Tax and the Arkansas Gross Receipts Tax would prevent the State from taking advantage of the federal legislation. Therefore, it is the purpose of this Act to repeal the border city exemptions from the Arkansas Gross Receipts Tax and the Arkansas Income Tax to enable the State to better collect sales

taxes from out-of-state businesses under legislation expected to be passed by Congress.

SECTION 2. (a) The following are hereby repealed.

(1) Subsection (s) of Section 4 of Act 386 of 1941, as amended, the same being Arkansas Statute 84-1904(s) and which provides a border city exemption from the Arkansas Gross Receipts Tax; and

(2) Act 48 of 1977, as amended, the same being Arkansas Statutes 84-1946 through 84-1949 and which provides a border city exemption from the Arkansas Income Tax and allows the levy of a one percent (1%) State Gross Receipts Tax in the border city.

(b) Taxpayers exempted from the Arkansas Income Tax under Act 48 of 1977, as amended, shall be subject to the Arkansas Income Tax, Act 118 of 1929 and all Acts supplemental thereto beginning with income years beginning on and after the effective date of this Act.

SECTION 3. Section 1 of Act 63 of the First Extraordinary Session of 1983, the same being Arkansas Statutes 84-1903.1, is hereby amended to read as follows:

"Section 1. In addition to the excise tax levied upon the gross proceeds or gross receipts derived from all sales, by the Arkansas Gross Receipts Act, Act 386 of 1941, as amended, there is hereby levied an excise tax of one percentum (1%) upon all taxable sales of property and services subject to the tax levied in that Act, and such tax shall be collected, reported, and paid in the same manner and at the same time as is prescribed by law for the collection, reporting and payment of all other Arkansas gross receipts taxes. Provided that, in computing gross receipts or gross proceeds as defined in subsection (d) of Section 2 of Act 386 of 1941, as amended, a deduction shall be allowed for bad debts resulting from the sale of tangible personal property."

SECTION 4. If the Revenue Commissioner of the State of Arkansas determines that the collection of city or county sales or use taxes by the State from a taxpayer would prevent the State from utilizing any federal law based on H. R. 1891 or other similar federal legislation which gives states additional authority to collect sales taxes from out-of-state sellers, then the Commissioner of Revenues may enter into an agreement with the taxpayer pro-

viding for the collection of only state sales taxes.

SECTION 5. This Act shall not become effective until sixty (60) days after the Secretary of State certifies to the Governor that Congressional legislation has been signed into law which would require states to apply state sales taxes uniformly in all geographical areas of the state as a condition for using federal law as a basis for requiring certain sellers of tangible personal property to collect state sales taxes.

SECTION 6. All laws and parts of laws in conflict with this Act are hereby repealed.

