

State of Arkansas

77th General Assembly

Regular Session, 1989

A Bill

HOUSE BILL

1911

By: Representative Arnold

For An Act To Be Entitled

"AN ACT TO AMEND ARKANSAS CODE 26-52-310 TO ALLOW A SALE FOR RESALE EXEMPTION AND IMPOSE AN ADDITIONAL TWO PERCENT TAX ON SHORT TERM RENTALS AND TO TAX THE RENTAL OF MOTOR VEHICLES FOR LESS THAN THIRTY DAYS; TO AMEND ARKANSAS CODE 26-52-103 (a) (3) (C) TO EXEMPT THE RENTAL OF PROPERTY WHEN TAX WAS PAID AT THE TIME OF PURCHASE, EXCEPT FOR SHORT TERM RENTALS AND MOTOR VEHICLES RENTED FOR LESS THAN THIRTY DAYS; AND FOR OTHER PURPOSES."

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

SECTION 1. Arkansas Code 26-52-310 is hereby amended to read as follows:

"(a) For the purpose of this section the following terms shall have the following meanings:

(1) 'Short term rental' means a rental or lease of tangible personal property for a period of less than thirty (30) days except rentals or leases of diesel trucks for commercial shipping, rentals of farm machinery and equipment or rentals of motor vehicles.

(2) 'Motor vehicle' means any vehicle required to be licensed for highway use under Arkansas law.

(b) (1) In addition to the Arkansas gross receipts tax or compensating tax levied by Arkansas Code Title 26, there is hereby levied an additional tax of two percent (2%) on the short term rental of tangible personal property. The two percent (2%) tax levied by this section and all other gross receipts taxes or compensating taxes are applicable to short term rentals regardless of whether tax was paid on the rental property at the time of purchase.

(2) Property purchased for short term rental may be purchased tax exempt for resale pursuant to Arkansas Code 26-52-401 (12) (A). The gross receipts tax or compensating tax, except for the additional two percent (2%)

tax levied by this subsection, shall be collected on sales, other than rentals or leases, of property held tax exempt for rental.

(3) Nothing in this subsection shall affect the taxability of any transaction prior to the effective date of this subsection.

(c)(1) The lease or rental of motor vehicles, other than diesel trucks rented for commercial shipping, for a period of less than thirty (30) days shall be subject to the gross receipts tax or compensating tax regardless of whether tax was paid on the rental vehicle at the time of purchase.

(2) No sale for resale exemption shall be allowed for the purchase of motor vehicles for rental or lease regardless of the length of the rental or lease.

(3) This subsection does not repeal or amend the Rental Vehicle Tax or any credits allowed thereunder. The provisions of this subsection shall be read in conjunction with the Rental Vehicle Tax and taxes due pursuant to this subsection are in addition to the Rental Vehicle Tax."

SECTION 2. Arkansas Code 26-52-103 (a)(3)(C) is hereby amended to read as follows:

"(C) In the case of leases or rentals of tangible personal property, the tax shall be paid on the basis of rental or lease payments made to the lessor of such tangible personal property during the term of the lease or rental: however, except for short term rentals and rentals of motor vehicles for less than thirty (30) days provided in Arkansas Code 26-52-310, the tax shall not apply to gross receipts or gross proceeds derived from leases or rentals of tangible personal property upon which either the Arkansas gross receipts tax or compensating tax was paid at the time of purchase of the tangible personal property."

SECTION 3. All provisions of this Act of a general and permanent nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code Revision Commission shall incorporate the same in the Code.

SECTION 4. All laws and parts of laws in conflict with this Act are hereby repealed.

SECTION 5. EMERGENCY. It is hereby found and determined by the General

Assembly that current laws impose an undue hardship on persons engaged in the business of renting or leasing tangible personal property, that such laws result in multiple taxation of property held for lease or rental, and that current laws are confusing and difficult for the Revenue Division to administer. Therefore, an emergency is hereby declared to exist and this Act being necessary for the immediate preservation of the public peace, health and safety shall be in full force and effect from and after July 1, 1989.