

1 State of Arkansas
2 82nd General Assembly
3 Regular Session, 1999

A Bill

HOUSE BILL 1929

4
5 By: Representative Sheppard
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For An Act To Be Entitled

8
9 "AN ACT TO IMPOSE SALES AND USE TAX ON PREPAID
10 TELEPHONE CALLING CARDS; AND FOR OTHER PURPOSES."

Subtitle

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13 "TO IMPOSE SALES AND USE TAX ON PREPAID
14 TELEPHONE CALLING CARDS."
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17 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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19 SECTION 1. Arkansas Code 26-52-301(3)(A)(iv), pertaining to
20 telecommunications services, is amended by adding the following new paragraph
21 as follows:

22 "(iv) However, the following services shall not be subject to the
23 tax:

24 (a) Any interstate private communications service which is
25 not accessible by the public;

26 (b) Any interstate service which allows access to private
27 telephone lines and which is not accessible by the public; ~~or~~

28 (c) Any interstate-wide area telecommunications service or
29 other similar service which entitles the subscriber to make or receive an
30 unlimited number of communications to or from persons having
31 telecommunications service in a specified area which is outside the state in
32 which the station provided with this service is located; or

33 (d) Any telephone or telecommunication services paid by
34 utilizing a prepaid telephone calling card or prepaid authorization number as
35 provided in Section 2 of this act."
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1 SECTION 2. Arkansas Code 26, Chapter 52, Subchapter 3 is amended by
2 adding a new subsection to be appropriately numbered by the Arkansas Code
3 Revision Commission:

4 "Tax levied on sales of prepaid telephone calling cards.

5 (a) Sales of prepaid telephone calling cards or prepaid authorization
6 numbers and the recharge of such cards or numbers shall be subject to the
7 Arkansas gross receipts tax levied by the Arkansas Gross Receipts Act of 1941,
8 beginning at § 26-52-101 and by any act supplemental thereto.

9 (b)(1) For the purposes of this subchapter, the terms 'prepaid
10 telephone calling card' or 'prepaid authorization number' mean the exclusive
11 purchase of telephone or telecommunications services, paid for in advance,
12 which enables the origination of calls using an access number or authorization
13 code, whether manually or electronically dialed.

14 (2) The term 'recharge' means the purchase of additional
15 telephone or telecommunication services without having to acquire a different
16 prepaid telephone calling card or prepaid authorization number.

17 (c) Sales of prepaid telephone calling cards or prepaid authorization
18 numbers, or the recharge of a card or number, are subject to gross receipts
19 tax at the point of sale by the retail vendor. If the sale or recharge of a
20 card or number does not take place at the vendor's place of business, it shall
21 be conclusively determined to take place at the customer's shipping address;
22 or if there is no item shipped, then it shall be the customer's billing
23 address or the location associated with the customer's mobile telephone
24 number."

25 (d) The gross receipts tax levied by this section on sales of prepaid
26 telephone calling cards, prepaid authorization numbers and the recharge of
27 such cards' numbers, shall be due on all such sales occurring on or after July
28 1, 1999. However, for the months of July and August of 1999, in addition to
29 the tax levied by this section on the sale of such prepaid cards and numbers,
30 each telephone, telecommunication, and telegraph company must continue to
31 collect gross receipts tax on any telephone or telecommunication services
32 provided to a customer who obtains the service through the use of a prepaid
33 telephone calling card or authorization number."

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35 SECTION 3. Arkansas Code 26, Chapter 53, Subchapter 1 is amended by
36 adding a new subsection to be appropriately numbered by the Arkansas Code

1 Revision Commission:

2 "Tax on purchases of prepaid calling cards.

3 Purchases of prepaid telephone calling cards or prepaid authorization
4 numbers and the recharge of such cards or numbers, as set out in Section 2 of
5 this act, shall be subject to the Arkansas Compensating Tax Act of 1949,
6 beginning at § 26-53-101 and any act supplemental thereto."

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8 SECTION 4. All provisions of this act of a general and permanent nature
9 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
10 Revision Commission shall incorporate the same in the Code.

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12 SECTION 5. If any provision of this act or the application thereof to
13 any person or circumstance is held invalid, such invalidity shall not affect
14 other provisions or applications of the act which can be given effect without
15 the invalid provision or application, and to this end the provisions of this
16 act are declared to be severable.

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18 SECTION 6. All laws and parts of laws in conflict with this act are
19 hereby repealed.

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21 SECTION 7. EMERGENCY CLAUSE. It is hereby found and determined by the
22 Eighty-second General Assembly that due to the inability to track and audit
23 calls made with prepaid calling cards, the current system of collecting sales
24 tax based upon the usage of prepaid calling cards creates an administrative
25 burden on the telecommunication companies; that this act will promote uniform
26 tax collection on prepaid calling cards; that this act will more fairly tax
27 telecommunications and prevent the likelihood of taxes being avoided.
28 Therefore, an emergency is declared to exist and this act being immediately
29 necessary for the preservation of the public peace, health and safety shall
30 become effective on July 1, 1999.