

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas  
2 83rd General Assembly  
3 Regular Session, 2001  
4

*As Engrossed: H2/21/01*

# A Bill

HOUSE BILL 1775

5 By: Representative R. Smith  
6  
7

## For An Act To Be Entitled

9 AN ACT TO INCREMENTALLY REDUCE THE SALES AND USE TAX  
10 ON FOOD IF SUFFICIENT REVENUE GROWTH IS FORECASTED; TO  
11 EXEMPT FOOD WHEN THE TAX RATE IS REDUCED TO LESS THAN  
12 1%; TO PROPORTIONATELY DISTRIBUTE TAX REVENUES; AND  
13 FOR OTHER PURPOSES.  
14

## Subtitle

15 INCREMENTALLY REDUCES THE SALES TAX ON  
16 FOOD IF REVENUE GROWTH IS FORECASTED.  
17  
18  
19

20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
21

22 SECTION 1. Title 26, Chapter 52, Subchapter 4 is amended to add a new  
23 section to read as follows:

24 26-52-433. Food for Human Consumption.

25 (a) The gross receipts tax imposed by §§ 26-52-301, 26-52-302 and  
26 Arkansas Constitutional Amendment 75 on the gross receipts derived from the  
27 sale of food for human consumption shall be levied and distributed as follows:

28 (1)(A) On or before July 1, 2001 and each July 1 thereafter, the  
29 director shall determine whether the conditions of § 26-52-433(c) have been  
30 met and, pursuant to § 26-52-433(a)(1)(B) and (C), shall establish the rate of  
31 gross receipts tax on the gross receipts derived from the sale of food for  
32 human consumption for the twelve-month period beginning on the following  
33 January 1.

34 (B)(i) If the conditions of § 26-52-433(c) have not been  
35 met, the rate of gross receipts tax on the gross receipts derived from the  
36 sale of food for human consumption for the twelve-month period beginning on

1 the following January 1 shall be the same as the rate of tax for the preceding  
2 twelve-month period.

3 (ii) The tax shall be distributed in the same  
4 proportions as were in effect during the preceding twelve-month period.

5 (C) If the conditions of § 26-52-433(c) have been met, the  
6 rate of gross receipts tax on the gross receipts derived from the sale of food  
7 for human consumption for the twelve-month period beginning on the following  
8 January 1 shall be one-half of one percent (0.5%) less than the rate during  
9 the previous twelve-month period and shall be distributed as set forth below:

10 (i) If the tax rate is 4.625%, then the revenue from  
11 the tax shall be distributed as follows:

12 (a) 10.8% to the State Treasurer for deposit to  
13 the Property Tax Relief Trust Fund;

14 (b) 2.7% distributed in accordance with  
15 Arkansas Constitutional Amendment 75; and

16 (c) 86.5% to the State Treasurer for deposit to  
17 general revenues.

18 (ii) If the tax rate is 4.125%, then the revenue from  
19 the tax shall be distributed as follows:

20 (a) 12.1% to the State Treasurer for deposit to  
21 the Property Tax Relief Trust Fund;

22 (b) 3.0% distributed in accordance with  
23 Arkansas Constitutional Amendment 75; and

24 (c) 84.9% to the State Treasurer for deposit to  
25 general revenues.

26 (iii) If the tax rate is 3.625%, then the revenue  
27 from the tax shall be distributed as follows:

28 (a) 13.8% to the State Treasurer for deposit to  
29 the Property Tax Relief Trust Fund;

30 (b) 3.4% distributed in accordance with  
31 Arkansas Constitutional Amendment 75; and

32 (c) 82.8% to the State Treasurer for deposit to  
33 general revenues.

34 (iv) If the tax rate is 3.125%, then the revenue from  
35 the tax shall be distributed as follows:

36 (a) 16.0% to the State Treasurer for deposit to

1 the Property Tax Relief Trust Fund;

2 (b) 4.0% distributed in accordance with  
3 Arkansas Constitutional Amendment 75; and

4 (c) 80.0% to the State Treasurer for deposit to  
5 general revenues.

6 (v) If the tax rate is 2.625%, then the revenue from  
7 the tax shall be distributed as follows:

8 (a) 19.0% to the State Treasurer for deposit to  
9 the Property Tax Relief Trust Fund;

10 (b) 4.8% distributed in accordance with  
11 Arkansas Constitutional Amendment 75; and

12 (c) 76.2% to the State Treasurer for deposit to  
13 general revenues.

14 (vi) If the tax rate is 2.125%, then the revenue from  
15 the tax shall be distributed as follows:

16 (a) 23.5% to the State Treasurer for deposit to  
17 the Property Tax Relief Trust Fund;

18 (b) 5.9% distributed in accordance with  
19 Arkansas Constitutional Amendment 75; and

20 (c) 70.6% to the State Treasurer for deposit to  
21 general revenues.

22 (vii) If the tax rate is 1.625%, then the revenue  
23 from the tax shall be distributed as follows:

24 (a) 30.8% to the State Treasurer for deposit to  
25 the Property Tax Relief Trust Fund;

26 (b) 7.7% distributed in accordance with  
27 Arkansas Constitutional Amendment 75; and

28 (c) 61.5% to the State Treasurer for deposit to  
29 general revenues.

30 (viii) If the tax rate is 1.125%, then the revenue  
31 from the tax shall be distributed as follows:

32 (a) 44.4% to the State Treasurer for deposit to  
33 the Property Tax Relief Trust Fund;

34 (b) 11.2% distributed in accordance with  
35 Arkansas Constitutional Amendment 75; and

36 (c) 44.4% to the State Treasurer for deposit to

1 general revenues.

2 (ix) When the tax rate computed pursuant to § 26-52-  
3 433(a)(2) is less than one percent (1%), then effective on the following  
4 January 1, food for human consumption shall be exempt from gross receipts tax.

5 (b) As used in this section, "food for human consumption" means any  
6 food which may be purchased with food stamps pursuant to the Food Stamp Act of  
7 1977, 7 U.S.C. § 2012.

8 (c) The rate of tax on gross receipts derived from the sale of food for  
9 human consumption for any twelve-month period beginning on and after January  
10 1, 2002 shall not be reduced below the rate of tax for the previous twelve-  
11 month period unless:

12 (A) The net available general revenue forecast provided to  
13 the Joint Committee on Economic and Tax Policy pursuant to § 10-3-1404 in May  
14 prior to the beginning of the fiscal year in which a rate reduction is  
15 contemplated indicates that net available general revenue growth for the  
16 fiscal year in which a rate reduction is contemplated will be 4.2% or greater;  
17 and

18 (B)(i) The net available general revenues for the fiscal  
19 year immediately preceding the fiscal year in which a rate reduction is  
20 contemplated exceed official forecast by at least 0.5%; or

21 (ii) The net available general revenues for the  
22 fiscal year immediately preceding the fiscal year in which a rate reduction is  
23 contemplated exceed the total distributions for that fiscal year under the  
24 provisions of the Revenue Stabilization Law, § 19-5-101, et seq. act.

25 (d) This exemption shall not apply with respect to the collection of  
26 local sales and use taxes. Sales of food for human consumption shall continue  
27 to be subject to local sales and use tax.

28 SECTION 2. EMERGENCY. It is found and determined by the General  
29 Assembly of the State of Arkansas that applying sales tax to food creates a  
30 tax burden on Arkansas families; that removing the sales tax from food without  
31 revenue controls will severely impair the state budgeting process and reduce  
32 necessary services to Arkansans; that this bill will allow the sales tax on  
33 food to be gradually reduced if revenue forecasts indicate future revenue  
34 growth. Therefore, an emergency is declared to exist and this act being  
35 immediately necessary for the preservation of the public peace, health and  
36 safety shall become effective on July 1, 2001.

*/s/ R. Smith*

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30
- 31
- 32
- 33
- 34
- 35
- 36