

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 84th General Assembly  
3 Regular Session, 2003  
4

*As Engrossed: S3/18/03 H3/25/03 H4/3/03*

# A Bill

SENATE BILL 483

5 By: Senators Hill, Wooldridge, Glover, G. Jeffress, Miller, T. Smith, Trusty, Broadway, Bryles  
6 By: Representatives Thomason, *Bond, Hickinbotham, Jackson, Boyd, D. Evans, Ferguson, Gillespie,*  
7 *King, Mack, Mahony, Mathis, Milligan, Napper, Ormond, Pate, L. Prater, Scroggin, R. Smith, Stovall*  
8  
9

## For An Act To Be Entitled

11 AN ACT TO ENABLE ARKANSAS TO ENTER INTO THE  
12 STREAMLINED SALES AND USE TAX AGREEMENT WITH  
13 OTHER STATES AS PROVIDED IN ARKANSAS CODE § 26-  
14 20-101, ET SEQ., BY AMENDING THE ARKANSAS GROSS  
15 RECEIPTS ACT OF 1941, § 26-52-101 ET SEQ., THE  
16 ARKANSAS COMPENSATING TAX ACT OF 1949, § 26-53-  
17 101 ET SEQ., ARKANSAS CODE § 26-74-101, ET SEQ.,  
18 ARKANSAS CODE § 26-75-101, ET SEQ., ARKANSAS CODE  
19 § 26-81-101, ET SEQ., ARKANSAS CODE § 14-164-301,  
20 ET SEQ., AND ARKANSAS CODE § 26-3-307, ET SEQ. ;  
21 AND FOR OTHER PURPOSES.  
22

## Subtitle

23 TO ENABLE ARKANSAS TO ENTER INTO THE  
24 STREAMLINED SALES AND USE TAX AGREEMENT  
25 BY AMENDING THE ARKANSAS SALES AND USE  
26 TAX LAWS.  
27  
28

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

### SECTION 1. Fundamental Purpose.

31  
32 (a) In order to allow Arkansas to enter into a Streamlined Sales and  
33 Use Tax Agreement, Arkansas must simplify and modernize its sales and use tax  
34 laws.

35 (b) The Streamlined Sales and Use Tax Agreement focuses on improving  
36 sales and use tax administration systems for all sellers and for all types of



1 commerce through all of the following:

- 2 (1) State level administration of sales and use tax collections;
- 3 (2) Uniformity in the state and local tax bases;
- 4 (3) Uniformity of major tax base definitions;
- 5 (4) Central, electronic registration system for all member
- 6 states;
- 7 (5) Simplification of state and local tax rates;
- 8 (6) Uniform sourcing rules for all taxable transactions;
- 9 (7) Simplified administration of exemptions;
- 10 (8) Simplified tax returns;
- 11 (9) Simplification of tax remittances; and
- 12 (10) Protection of consumer privacy.

13 (c) The Director of the Arkansas Department of Finance and  
14 Administration may enter into the Streamlined Sales and Use Tax Agreement  
15 ("agreement"), as described in subsection (a) and (b), upon the agreement  
16 going into effect as outlined by that agreement.

17 (d)(1) The General Assembly has the authority to establish the  
18 parameters of state and local sales and use taxes, including the application,  
19 exemptions, limitations, and administration of those taxes.

20 (2) The changes to existing law effectuated by this act are  
21 intended as an expression of the General Assembly's authority to modify the  
22 parameters of state and local sales and use taxes, and the changes are not  
23 intended as a revocation or restraint of the power of cities and counties to  
24 levy local sales and use taxes.

25 (3) It is the intent of the General Assembly that any  
26 modifications to the application or administration of local sales and use  
27 taxes resulting from this act shall not require the approval of local voters,  
28 and that the modifications shall not invalidate existing local sales and use  
29 taxes.

30  
31 SECTION 2. Arkansas Code § 26-3-307 is amended as follows:

32 26-3-307. ~~Adaptive~~ Durable medical equipment, mobility enhancing  
33 equipment, and disposable medical supplies.

34 (a) Gross receipts or gross proceeds derived from the rental, sale, or  
35 repair of ~~adaptive~~ durable medical equipment prescribed by a physician,  
36 mobility enhancing equipment prescribed by a physician, and disposable

1 medical supplies prescribed by a physician shall be exempt from all state and  
2 local sales and use taxes.

3 (1) This exemption shall only apply to ~~adaptive~~ durable medical  
4 equipment, mobility enhancing equipment, and disposable medical supplies  
5 prescribed for a specific patient prior to the sale.

6 (2) This exemption shall not apply to items purchased by  
7 physicians, hospitals, nursing homes, or long-term care facilities for use by  
8 their patients or residents.

9 (b) For the purpose of this section,

10 (1) "~~adaptive~~ Durable medical equipment, mobility enhancing  
11 equipment, and disposable medical supplies" shall include, but not be limited  
12 to, the following:

13 ~~(1)~~(A) Wheelchairs;

14 ~~(2)~~(B) Leg braces;

15 ~~(3)~~(C) Wheelchair lifts;

16 ~~(4)~~(D) Ostomy, urostomy, and colostomy supplies;

17 ~~(5)~~(E) Raised toilet seats;

18 ~~(6)~~(F) Catheters;

19 ~~(7)~~(G) Wheelchair batteries, tires, cushions, and supplies;

20 ~~(8)~~(H) Enemas, suppositories, and laxatives used in routine

21 bowel care;

22 ~~(9)~~(I) Flexor wrist splints;

23 ~~(10)~~(J) Trapeze bars;

24 ~~(11)~~(K) Grab bars and hand rails;

25 ~~(12)~~(L) Wheelchair adaptive devices;

26 ~~(13)~~(M) Hospital beds and adaptive devices;

27 ~~(14)~~(N) Patient lifts;

28 ~~(15)~~(O) Orthopedic shoes and devices such as shoe lifts and

29 inserts;

30 ~~(16)~~(P) Walkers;

31 ~~(17)~~(Q) Crutches;

32 ~~(18)~~(R) Automobile hand controls;

33 ~~(19)~~(S) Shower benches and chairs;

34 ~~(20)~~(T) Disposable undergarments and linen savers;

35 ~~(21)~~(U) Prosthetics;

36 ~~(22)~~(V) Braille writers, large print aids, visual and

1 communication aids for those who are legally blind;

2 ~~(23)(W)~~ Hearing aids;

3 ~~(24)(X)~~ Telecommunications devices and other communication  
4 devices for the deaf, hearing impaired, and others with communicative  
5 disorders; and

6 ~~(25)(Y)~~ Speech devices for those with laryngectomies.

7 (2) "Durable medical equipment" means equipment including repair  
8 and replacement parts for the equipment, that:

9 (A) Can withstand repeated use;

10 (B) Is primarily and customarily used to serve a medical  
11 purpose;

12 (C) Generally is not useful to a person in the absence of  
13 illness or injury; and

14 (D) Is not worn in or on the body.

15 (3)(A) "Mobility enhancing equipment" means equipment including  
16 repair and replacement parts for the equipment.

17 (B) "Mobility enhancing equipment" does not include  
18 "durable medical equipment," that:

19 (i) Is primarily and customarily used to provide or  
20 increase the ability to move from one place to another and which is  
21 appropriate for use either in a home or a motor vehicle;

22 (ii) Is not generally used by persons with normal  
23 mobility; and

24 (iii) Does not include any motor or equipment on a  
25 motor vehicle normally provided by a motor vehicle manufacturer.

26 ~~(e)(4)~~ For the purpose of this section, ~~"physician"~~ "Physician" means  
27 a person licensed under § 17-95-401 et seq.

28 (5)(A) "Prosthetics" means a replacement, corrective, or  
29 supportive device including repair and replacement parts for the prosthetic  
30 worn on or in the body to:

31 (i) Artificially replace a missing portion of the  
32 body;

33 (ii) Prevent or correct physical deformity or  
34 malfunction; or

35 (iii) Support a weak or deformed portion of the  
36 body.

1                    (B) "Prosthetics" does not include corrective eyeglasses,  
2 contact lenses, and dental prosthesis.

3  
4            SECTION 3. Arkansas Code § 26-52-101 is amended to read as follows:

5            26-52-101. Title.

6            This ~~act~~ chapter shall be known and cited as the "Arkansas Gross  
7 Receipts Act of 1941".

8  
9            SECTION 4. Arkansas Code § 26-52-103 is amended to read as follows:

10           26-52-103. Definitions.

11           ~~(a) The following words and phrases, except where the context clearly~~  
12 ~~indicates a different meaning, when used in this act shall have the following~~  
13 ~~meanings~~ As used in this chapter:

14                (1) "Person" includes any individual, company, partnership,  
15 limited liability company, joint venture, joint agreement, association,  
16 mutual or otherwise, corporation, estate, trust, business trust, fiduciary,  
17 receiver, or trustee appointed by any state or federal court or otherwise,  
18 syndicate, this state, any county, city, municipality, school district, or  
19 any other political subdivision of the state or group or combination acting  
20 as a unit, or any other legal entity;

21                (2) "Director" means the Director of the Department of Finance  
22 and Administration, or any of his authorized agents;

23                (3)(A) "Sale" is declared to mean the transfer of either the  
24 title or possession, except in the case of leases or rentals, for a valuable  
25 consideration of tangible personal property, regardless of the manner,  
26 method, instrumentality, or device by which the transfer is accomplished.

27                (B) "Sale" is also declared to include the exchange,  
28 barter, lease, or rental of tangible personal property.

29                (C)(i) In the case of leases or rentals for less than  
30 thirty (30) days of tangible personal property including motor vehicles and  
31 trailers, the tax shall be paid on the basis of rental or lease payments made  
32 to the lessor of such tangible personal property during the term of the lease  
33 or rental regardless of whether Arkansas gross receipts tax or compensating  
34 use tax was paid by the lessor at the time of the purchase of the property.

35                (ii) In the case of leases or rentals for thirty  
36 (30) days or more of tangible personal property including motor vehicles and

1 trailers, the tax shall be paid on the basis of rental or lease payments made  
 2 to the lessor of the tangible personal property during the term of the lease  
 3 or rental unless Arkansas gross receipts tax or compensating use tax was paid  
 4 by the lessor at the time of the purchase of the property.

5 (iii) Any person engaged in the business of leasing  
 6 or renting motor vehicles shall collect, report, and remit gross receipts tax  
 7 on the lease or rental payments in lieu of paying tax at the time of  
 8 registration.

9 (D) "Sale" shall also include the sale, giving away,  
 10 exchanging, or other disposition of admissions, dues, or fees to clubs, to  
 11 places of amusement, or recreational or athletic events, or for the privilege  
 12 of having access to or the use of amusement, athletic, or entertainment  
 13 facilities.

14 (E) "Sale" shall not include the furnishing or rendering  
 15 of services, except as otherwise provided in this section;

16 (4)(A)~~(i)~~ "Gross receipts" or "gross proceeds" means the total  
 17 amount of consideration for the sale of tangible personal property and such  
 18 services as are herein specifically provided for, whether the consideration  
 19 is in money or otherwise, without any deduction on account of the cost of the  
 20 properties sold, all taxes imposed on the seller, all costs of transportation  
 21 to the seller, labor service performed, interest paid, losses, or any  
 22 expenses whatsoever.

23 ~~(ii) However, the term "gross receipts" or "gross~~  
 24 ~~proceeds" shall not include the manufacturer's federal excise taxes levied~~  
 25 ~~upon articles if the manufacturer's federal excise taxes are separately~~  
 26 ~~stated or separately billed.~~

27 (B)~~(i)~~ The term "gross proceeds" or "gross receipts" shall  
 28 include the value of any goods, wares, merchandise, or property withdrawn or  
 29 used from the established business or from the stock in trade of the  
 30 established reserves for consumption or use in such business or by any other  
 31 person.

32 ~~(ii)(C) However, the~~ The term "gross receipts" or "gross  
 33 proceeds" shall not include:

34 (i) the The value of any goods, wares,  
 35 merchandise, or property withdrawn or used from the established business or  
 36 from the stock in trade of the established reserves for consumption or use in

1 such business or by any other person if the goods, wares, merchandise, or  
 2 property withdrawn or used is donated to National Guard members, emergency  
 3 service workers or volunteers providing services to a county which has been  
 4 declared a disaster area by the Governor;

5 (ii) Discounts, including cash, term, or  
 6 coupons that are not reimbursed by a third party that are allowed by a seller  
 7 and taken by a purchaser on a sale;

8 (iii) Interest, financing, and carrying  
 9 charges from credit extended on the sale of personal property or services, if  
 10 the amount is separately stated on the invoice; or

11 (iv) Any taxes legally imposed directly on the  
 12 consumer that are separately stated on the invoice, bill of sale, or similar  
 13 document given to the purchaser;

14 (5) "Taxpayer" means any person liable to remit a tax hereunder  
 15 or to make a report for the purpose of claiming any exemption from payment of  
 16 taxes levied by this ~~act~~ chapter;

17 (6) "Established business" means any business operated or  
 18 conducted by any person in a continuous manner for any length of time from an  
 19 established place or in an established manner;

20 (7) "Seller" means every person making a sale in an established  
 21 business as defined in this section;

22 (8) "Tax period" or "taxable period" means either the calendar  
 23 period or the taxpayer's fiscal period where a taxpayer has obtained a permit  
 24 from the director or from any of his authorized agents to use a fiscal period  
 25 in lieu of a calendar period;

26 (9)(A)(i) "Consumer" or "user" means the person to whom the  
 27 taxable sale is made or to whom taxable services are furnished.

28 (ii) All contractors are deemed to be  
 29 consumers or users of all tangible personal property, including materials,  
 30 supplies, and equipment, used or consumed by them in performing any  
 31 contract~~;~~ and

32 (iii) ~~the~~ The sales of all such property to  
 33 contractors are taxable sales within the meaning of this ~~act~~ chapter.

34 (B) "Contract" means any agreement or undertaking to  
 35 construct, manage, or supervise the construction, erection, alteration, or  
 36 repair of any building or other improvement or structure affixed to real

1 estate, including any of their component parts.

2 (C) "Contractor" means any person who contracts or  
3 undertakes to construct, manage, or supervise the construction, erection,  
4 alteration, or repair of any building or other improvement or structure  
5 affixed to real estate, including any of their component parts;

6 (10)(A) "Doing business" or "engaging in business" includes any  
7 and all local activity regularly and persistently pursued by any seller or  
8 vendor through agents, employees, or representatives with the object of gain,  
9 profit, or advantage and which results in a sale, delivery, or the transfer  
10 of the physical position of any tangible personal property by the vendor to  
11 the vendee, at or from any point within Arkansas, whether from warehouse,  
12 store, office, storage point, rolling store, motor vehicle, delivery  
13 conveyance, or by any method or device under the control of seller effecting  
14 such local delivery, without regard to the terms of sale with respect to  
15 point of acceptance of the order, point of payment, or any other condition;

16 (B) "Doing business" or "engaging in business", as set out  
17 in this subdivision, is equally applicable to sellers of services as are made  
18 the subject matter of the tax imposed by this act;

19 (C) The provisions of this subdivision shall be cumulative  
20 to the gross receipts tax law and shall not be construed as levying a tax on  
21 any receipts derived from personal or professional services not heretofore  
22 made the subject matter and within the scope of the present gross receipts  
23 tax law, as amended, nor shall the provisions of this subdivision be  
24 construed as repealing or modifying any of the provisions therein.

25 ~~(b) The definitions of words provided in this section are for the~~  
26 ~~purposes of this act only.~~

27 (11)(A) "Direct mail" means printed material delivered or  
28 distributed by United States mail or other delivery service to a mass  
29 audience or to addressees on a mailing list provided by the purchaser or at  
30 the direction of the purchaser when the cost of the items are not billed  
31 directly to the recipients.

32 (B) "Direct mail" includes tangible personal property  
33 supplied directly or indirectly by the purchaser to the direct mail seller  
34 for inclusion in the package containing the printed material.

35 (C) "Direct mail" does not include multiple items of  
36 printed material delivered to a single address;

1           (12)(A)(i) “Lease or rental” means any transfer of possession or  
2 control of tangible personal property for a fixed or indeterminate term for  
3 consideration.

4                   (ii) A lease or rental may include future options to  
5 purchase or extend.

6                   (B) Lease or rental does not include:

7                           (i) A transfer of possession or control of property  
8 under a security agreement or deferred payment plan that requires the  
9 transfer of title upon completion of the required payments;

10                           (ii) A transfer of possession or control of property  
11 under an agreement that requires the transfer of title upon completion of  
12 required payments and payment of an option price that does not exceed the  
13 greater of one hundred dollars (\$100) or one percent (1%) of the total  
14 required payments; or

15                           (iii)(a) Providing tangible personal property along  
16 with an operator for a fixed or indeterminate period of time.

17                                   (b) A condition of this exclusion is that the  
18 operator is necessary for the equipment to perform as designed.

19                                   (c) For the purpose of this subdivision, an  
20 operator must do more than maintain, inspect, or set-up the tangible personal  
21 property.

22                   (C) Lease or rental does include agreements covering motor  
23 vehicles and trailers where the amount of consideration may be increased or  
24 decreased by reference to the amount realized upon sale or disposition of the  
25 property as defined in 26 U.S.C. § 7701(h)(1).

26                   (D) This definition shall be used for sales and use tax  
27 purposes regardless if a transaction is characterized as a lease or rental  
28 under generally accepted accounting principles, the Internal Revenue Code,  
29 the Arkansas Uniform Commercial Code, or other provisions of federal, state  
30 or local law.

31                   (E)(i) This definition will be applied only prospectively  
32 from the effective date of this subdivision and will have no retroactive  
33 impact on existing leases or rentals.

34                           (ii) This definition shall neither impact any  
35 existing sale-leaseback exemption nor exclusions; and

36           (13) “Retail sale or sale at retail” means any sale, lease, or

1 rental for any purpose other than for resale, sublease, or subrent.

2  
3 SECTION 5. Arkansas Code § 26-52-202 is amended to read as follows:  
4 26-52-202. Application for permit.

5 (a) Every taxpayer shall file with the director an application for a  
6 permit to conduct the business, setting forth such information as the  
7 director may require.

8 (b) The application shall be signed by the owner of the business as a  
9 natural person or, in the case of a corporation, by a legally constituted  
10 officer thereof, except sellers that register electronically will not be  
11 required to provide a written signature.

12 (c) Taxpayers are permitted to file an application through an agent if  
13 the registration is filed with the director and is made in writing.

14  
15 SECTION 6. Arkansas Code § 26-52-301(3)(A), pertaining to the taxation  
16 of telecommunications services, is repealed.

17 ~~(3)(A)(i) Service by telephone, telecommunications, and~~  
18 ~~telegraph companies to subscribers or users, including transmission of~~  
19 ~~messages or images, whether local or long distance.~~

20 ~~(ii) Taxable services shall include basic local~~  
21 ~~service and rental charges, including all installation and construction~~  
22 ~~charges and all service and rental charges having any connection with~~  
23 ~~transmission of any message or image.~~

24 ~~(iii) Except as provided in subdivision (3)(A)(iv)~~  
25 ~~of this section, taxable long distance services shall include:~~

26 ~~(a) Long distance messages that originate and~~  
27 ~~terminate within this state;~~

28 ~~(b) Interstate long distance messages that~~  
29 ~~originate within this state and terminate outside this state and are billed~~  
30 ~~to an Arkansas telephone number or customer location;~~

31 ~~(c) Interstate long distance messages that~~  
32 ~~originate outside of this state and terminate within this state and are~~  
33 ~~billed to an Arkansas telephone number or customer location; and~~

34 ~~(d) [Effective August 1, 2002.] Long distance~~  
35 ~~messages which originate and terminate outside this state made by mobile~~  
36 ~~telecommunications service which are charged to a customer who maintains a~~

1 ~~place of primary use in this state.~~

2 ~~(iv) However, the following services shall not be~~  
3 ~~subject to the tax:~~

4 ~~(a) Any interstate private communications~~  
5 ~~service that is not accessible by the public;~~

6 ~~(b) Any interstate service that allows access~~  
7 ~~to private telephone lines and that is not accessible by the public;~~

8 ~~(c) Any interstate wide area~~  
9 ~~telecommunications service or other similar service that entitles the~~  
10 ~~subscriber to make or receive an unlimited number of communications to or~~  
11 ~~from persons having telecommunications service in a specified area that is~~  
12 ~~outside the state in which the station provided with this service is located;~~  
13 ~~or~~

14 ~~(d) Any telephone or telecommunication~~  
15 ~~services paid by utilizing a prepaid telephone calling card or prepaid~~  
16 ~~authorization number as provided in § 26-52-314.~~

17 ~~(v)(a) This tax shall apply to all customer access~~  
18 ~~line charges billed to an Arkansas telephone number. Access line charges are~~  
19 ~~those charges associated with or for access to the long distance network.~~

20 ~~(b) However, access or other telecommunication~~  
21 ~~services provided to telephone, telegraph, or telecommunications companies~~  
22 ~~that will be used to provide telecommunications services shall not be subject~~  
23 ~~to this tax.~~

24 ~~(vi)(a) [Effective August 1, 2002.] The Mobile~~  
25 ~~Telecommunications Sourcing Act, Pub.L. 106-252, as in effect on January 1,~~  
26 ~~2001, is adopted in its entirety. All charges for mobile telecommunications~~  
27 ~~services are deemed to be provided by the customer's home service provider~~  
28 ~~and sourced to the customer's place of primary use and shall be subject to~~  
29 ~~gross receipts tax based upon the customer's place of primary use as~~  
30 ~~determined by the Mobile Telecommunications Sourcing Act, Pub.L. 106-252.~~

31 ~~(b)(1) [Effective August 1, 2002.] Any~~  
32 ~~customer who alleges that an amount of tax, charge, or fee or that the~~  
33 ~~assignment of the place of primary use or taxing jurisdiction included on a~~  
34 ~~billing is erroneous shall notify the home service provider in writing. The~~  
35 ~~customer must include the street address for the customer's place of primary~~  
36 ~~use, the account name and number for which the correction of tax assignment~~

1 ~~is sought, a description of the alleged error, and any other information~~  
2 ~~requested by the home service provider necessary to process the request.~~

3 ~~(2) [Effective August 1, 2002.] The~~  
4 ~~home service provider shall conduct a review of its records and the~~  
5 ~~electronic database or enhanced zip code used to determine the place of~~  
6 ~~primary use within sixty (60) days of receiving the notice from its customer.~~  
7 ~~If it is determined that the amount of tax, charge, or fee or that the~~  
8 ~~assignment of the place of primary use or taxing jurisdiction is in error,~~  
9 ~~the home service provider shall correct the error and refund or credit the~~  
10 ~~amount of tax, charge, or fee erroneously collected from the customer for a~~  
11 ~~period of up to three (3) years. If it is determined that the amount of tax,~~  
12 ~~charge, or fee or assignment of the place of primary use or taxing~~  
13 ~~jurisdiction is correct, the home service provider shall provide a written~~  
14 ~~explanation to the customer.~~

15 ~~(3) [Effective August 1, 2002.] A~~  
16 ~~customer seeking correction of assignment of place of primary use or taxing~~  
17 ~~jurisdiction or a refund or credit of taxes, charges, or fees erroneously~~  
18 ~~collected by the home service provider must seek to have the error corrected~~  
19 ~~pursuant to these provisions in this subdivision (3)(A)(vi)(b) before any~~  
20 ~~cause of action arises as a result of the error.~~

21 ~~(vii)(a) Charges for nontaxable services that are~~  
22 ~~aggregated with other charges for communications services that are taxable~~  
23 ~~and are not separately stated on the bill or invoice shall not be subject to~~  
24 ~~the gross receipts tax if the seller can reasonably identify the nontaxable~~  
25 ~~charges on the seller's books and records kept in the regular course of~~  
26 ~~business.~~

27 ~~(b) If the nontaxable charges cannot~~  
28 ~~reasonably be identified, the gross receipts from the sales of both taxable~~  
29 ~~and nontaxable communications services billed on a combined basis shall be~~  
30 ~~attributed to the taxable communications services.~~

31 ~~(c) The burden of proving nontaxable receipts~~  
32 ~~or charges shall be on the seller of the communications services;~~

33  
34 SECTION 7. Arkansas Code § 26-52-303, is amended to read as follows:

35 26-52-303. Border cities or towns - Tax rate - Exemptions.

36 (a)(1) In instances where:

1                   ~~(A)(1)~~ An Arkansas city or incorporated town is divided by  
2 a state line from an incorporated city or town in an adjoining state;

3                   ~~(B)(2)~~ The city or town in the adjoining state is of  
4 greater population than the Arkansas city or town; ~~and~~

5                   ~~(C)(3)~~ A tax imposed in such adjoining state is in the  
6 nature of a selective sales tax or limited to specific items as a special  
7 excise tax; ~~and then the rate of tax upon such articles on the Arkansas side~~  
8 ~~shall be at the same rate imposed in such adjoining state not to exceed the~~  
9 ~~state sales tax rate as levied by the General Assembly, initiatives enacted~~  
10 ~~by the people of the State of Arkansas, and amendments to the Arkansas~~  
11 ~~Constitution.~~

12                   ~~(2)(4)~~ Provided that, if such The border city has voted to levy  
13 an additional one percent (1%) gross receipts tax in such city in lieu of  
14 paying state income taxes by individuals who are residents of said city, as  
15 authorized by § 26-52-601 et seq., then in such event the rate of tax shall  
16 be one percent (1%) above the state sales tax rate as levied by the General  
17 Assembly, initiatives enacted by the people of the State of Arkansas, and  
18 amendments to the Arkansas Constitution.

19                   ~~(b)~~ ~~The exception hereunder shall not be applicable to gross receipts~~  
20 ~~or gross proceeds derived from the sale of beer, wine, liquor, or any other~~  
21 ~~form of intoxicating beverages in any border city or incorporated town in the~~  
22 ~~State of Arkansas.~~

23                   ~~(e)(b)~~ With respect to motor vehicles sold in any such city or  
24 incorporated town, the exemption authorized herein shall be applicable only  
25 to motor vehicles sold to and registered by bona fide residents of such  
26 Arkansas city or incorporated town and shall not be applicable to motor  
27 vehicles sold to nonresidents.

28                   ~~(d)(1)(c)(1)~~ The director shall require any person claiming this  
29 exemption to file a sworn statement in writing that the person is a resident  
30 of that city or incorporated town, and such other information as the director  
31 may determine is necessary to establish the residence of any such person.

32                   (2) Any person filing a false statement or otherwise falsely  
33 obtaining, or assisting any other person to falsely obtain, the benefits of  
34 the exemption authorized in this section shall, upon conviction, be fined in  
35 a sum of not less than one hundred dollars (\$100) nor more than five hundred  
36 dollars (\$500).

1  
2 SECTION 8. Arkansas Code § 26-52-309 is amended to read as follows:

3 26-52-309. Deduction for bad debts generally.

4 (a)(1) In computing the amount of tax due under the Arkansas Gross  
5 Receipts Act, § 26-52-101 et seq., and any act supplemental thereto,  
6 taxpayers may deduct bad debts from the total amount upon which the tax is  
7 calculated ~~for any report~~ on the return for the period during which the bad  
8 debt is written off as uncollectable in the taxpayer's books and records and  
9 is eligible to be deducted for federal income tax purposes.

10 (2) Any deduction taken or refund paid which is attributed to  
11 bad debts shall not include interest.

12 (b)(1)(A) For purposes of this section, "bad debt" means any portion  
13 of a debt for an amount which a taxpayer has reported as taxable which the  
14 taxpayer legally claims as a bad debt deduction for federal income tax  
15 purposes.

16 (B) A taxpayer who is not required to file federal income  
17 tax returns may deduct a bad debt on a return filed for the period in which  
18 the bad debt is written off as uncollectable in the taxpayer's books and  
19 records and would be eligible for a bad debt deduction for federal income tax  
20 purposes if the taxpayer was required to file a federal income tax return.

21 (2) Bad debts include, but are not limited to, worthless checks,  
22 worthless credit card payments, and uncollectible credit accounts.

23 (3) Bad debts do not include financing charges or interest,  
24 uncollectible amounts on property that remain in the possession of the  
25 taxpayer or vendor until the full purchase price is paid, expenses incurred  
26 in attempting to collect any debt, debts sold or assigned to third parties  
27 for collection, and repossessed property.

28 (c) Bad debts incurred for sales made prior to November 9, 1983, shall  
29 not be deducted.

30 (d) Bad debts must be deducted within three (3) years of the date of  
31 the sale for which the debt was incurred.

32 (e) If a deduction is taken for a bad debt and the taxpayer  
33 subsequently collects the debt in whole or in part, the tax on the amount so  
34 collected shall be paid and reported on the ~~next return due after the~~  
35 collection return filed for the period in which the collection is made.

36 (f)(1) When the filing responsibilities have been assumed by a

1 Certified Service Provider, as provided in the Uniform Sales and Use Tax  
2 Administration Act, § 26-20-101, et seq., the service provider will be  
3 allowed to claim, on behalf of the taxpayer, any bad debt allowance provided  
4 by this section.

5 (2) The Certified Service Provider must credit or refund the  
6 full amount of any bad debt allowance or refund received to the taxpayer.

7  
8 SECTION 9. Arkansas Code Title 26, Chapter 52, Subchapter 3, is  
9 amended to add an additional sections to read as follows:

10 26-52-315. Telecommunications Services.

11 (a) The gross receipts or gross proceeds derived from the sale of  
12 taxable telecommunications services, as provided in this section, are subject  
13 to the Arkansas gross receipts tax levied by the Arkansas Gross Receipts Act  
14 of 1941, as amended, § 26-52-101 et seq., and by any act supplemental  
15 thereto.

16 (b) The following services are taxable telecommunications services:

17 (1) Service by telephone, telecommunications, and telegraph  
18 companies to subscribers or users, including transmission of messages or  
19 images, whether local or long distance;

20 (2) Taxable services shall include basic local service and  
21 rental charges, including all installation and construction charges and all  
22 service and rental charges having any connection with transmission of any  
23 message or image; and

24 (3) Except as provided in subdivision (c) of this section,  
25 taxable long distance services shall include:

26 (A) Long distance messages that originate and terminate  
27 within this state;

28 (B) Interstate long distance messages that originate  
29 within this state or terminate outside this state and are billed to a place  
30 of primary use in this state;

31 (C) All customer access line charges associated with or  
32 for access to the long distance network, except that access or other  
33 telecommunication services provided to telephone, telegraph, or  
34 telecommunications companies that will be used to provide telecommunications  
35 services shall not be subject to this tax; and

36 (D) Long distance messages which originate and terminate

1 outside this state made by mobile telecommunications service that are charged  
2 to a customer who maintains a place of primary use in this state.

3 (c) The following services shall not be taxable:

4 (1) Any interstate private communications service that is not  
5 accessible by the public;

6 (2) Any interstate service that allows access to private  
7 telephone lines and that is not accessible by the public;

8 (3) Any interstate wide area telecommunications service or other  
9 similar service that entitles the subscriber to make or receive an unlimited  
10 number of communications to or from persons having telecommunications service  
11 in a specified area that is outside the state in which the station provided  
12 with this service is located; or

13 (4) Any telephone or telecommunication services paid by  
14 utilizing a prepaid telephone calling card or prepaid authorization number as  
15 provided in § 26-52-314.

16 (d)(1)(A) The Mobile Telecommunications Sourcing Act, Pub.L. 106-252,  
17 as in effect on January 1, 2001, is adopted in its entirety.

18 (B) All charges for mobile telecommunications services are  
19 deemed to be provided by the customer's home service provider and sourced to  
20 the customer's place of primary use and are subject to gross receipts tax  
21 based upon the customer's place of primary use as determined by the Mobile  
22 Telecommunications Sourcing Act, Pub.L. 106-252.

23 (2)(A)(i) Any customer who alleges that an amount of tax,  
24 charge, or fee or that the assignment of the place of primary use or taxing  
25 jurisdiction included on a billing is erroneous, shall notify the home  
26 service provider in writing.

27 (ii) The customer must include the street address  
28 for the customer's place of primary use, the account name and number for  
29 which the correction of tax assignment is sought, a description of the  
30 alleged error, and any other information requested by the home service  
31 provider necessary to process the request.

32 (B)(i) The home service provider shall conduct a review of  
33 its records and the electronic database or enhanced zip code used to  
34 determine the place of primary use within sixty (60) days of receiving the  
35 notice from its customer.

36 (ii) If it is determined that the amount of tax,

1 charge, or fee or that the assignment of the place of primary use or taxing  
2 jurisdiction is in error, the home service provider shall correct the error  
3 and refund or credit the amount of tax, charge, or fee erroneously collected  
4 from the customer for a period of up to three (3) years.

5 (iii) If it is determined that the amount of tax,  
6 charge, or fee or assignment of the place of primary use or taxing  
7 jurisdiction is correct, the home service provider shall provide a written  
8 explanation to the customer.

9 (C) A customer seeking correction of assignment of place  
10 of primary use or taxing jurisdiction or a refund or credit of taxes,  
11 charges, or fees erroneously collected by the home service provider must seek  
12 to have the error corrected under subdivision (d)(2)(A) of this section  
13 before any cause of action arises as a result of the error.

14 (3)(A) Charges for nontaxable services that are aggregated with  
15 other charges for communications services that are taxable and are not  
16 separately stated on the bill or invoice shall not be subject to the gross  
17 receipts tax if the seller can reasonably identify the nontaxable charges on  
18 the seller's books and records kept in the regular course of business.

19 (B) If the nontaxable charges cannot reasonably be  
20 identified, the gross receipts from the sales of both taxable and nontaxable  
21 communications services billed on a combined basis shall be attributed to the  
22 taxable communications services.

23 (C) The burden of proving nontaxable receipts or charges  
24 is on the seller of the communications services.

25 (e)(1) Except for the telecommunication services in subdivision  
26 (e)(3), the sale of telecommunication service sold on a call-by-call basis  
27 shall be sourced to:

28 (A) Each state, county, or city jurisdiction where the  
29 call originates and terminates in that jurisdiction; or

30 (B) Each state, county, or city where the call either  
31 originates or terminates and in which the service address is also located.

32 (2) Except for the telecommunication services in subdivision  
33 (e)(3), a sale of telecommunications services sold on a basis other than a  
34 call-by-call basis, is sourced to the customer's place of primary use.

35 (3) The sale of the following telecommunication services shall  
36 be sourced to each state, county, or city as follows:

1                   (A) A sale of mobile telecommunications services, other  
2 than air-to-ground radiotelephone service and prepaid calling service, is  
3 sourced to the customer's place of primary use as required by the Mobile  
4 Telecommunications Sourcing Act;

5                   (B) A sale of postpaid calling service is sourced to the  
6 origination point of the telecommunications signal as first identified by  
7 either:

8                           (i) The seller's telecommunications system; or

9                           (ii) Information received by the seller from its  
10 service provider, where the system used to transport the signals is not that  
11 of the seller;

12                   (C)(i) A sale of prepaid calling service is sourced in  
13 accordance with § 26-52-521(b).

14                           (ii) Except for a sale of mobile telecommunications  
15 service that is a prepaid telecommunications service, the rule provided in §  
16 26-52-521(b)(5), shall include, as an option, the location associated with  
17 the mobile telephone number; or

18                   (D) A sale of a private communication service is sourced  
19 as follows:

20                           (i) Service for a separate charge related to a  
21 customer channel termination point is sourced to each state, county, or city  
22 in which the customer channel termination point is located;

23                           (ii) Service where all customer termination points  
24 are located entirely within one (1) jurisdiction or levels of jurisdiction is  
25 sourced in the state, county, and city in which the customer channel  
26 termination points are located;

27                           (iii) Service for segments of a channel between two  
28 (2) customer channel termination points located in different jurisdictions  
29 and which segment of channel are separately charged is sourced fifty percent  
30 (50%) in each state, county, and city in which the customer channel  
31 termination points are located; or

32                           (iv) Service for segments of a channel located in  
33 more than one (1) jurisdiction or levels of jurisdiction and which segments  
34 are not separately billed is sourced in each jurisdiction based on the  
35 percentage determined by dividing the number of customer channel termination  
36 points in the jurisdiction by the total number of customer channel

1 termination points.

2 (f) Definitions. For purposes of this section:

3 (1) "Air-to-ground radiotelephone service" means a radio  
4 service, as that term is defined in 47 CFR 22.99, in which common carriers  
5 are authorized to offer and provide radio telecommunications service for hire  
6 to subscribers in aircraft;

7 (2) "Call-by-call basis" means any method of charging for  
8 telecommunications services where the price is measured by individual calls;

9 (3) "Communications channel" means a physical or virtual path of  
10 communications over which signals are transmitted between or among customer  
11 channel termination points;

12 (4)(A) "Customer" means the person or entity that contracts with  
13 the seller of telecommunications services.

14 (B) If the end user of telecommunications services is not  
15 the contracting party, the end user of the telecommunications service is the  
16 customer of the telecommunication service, but this sentence only applies for  
17 the purpose of sourcing sales of telecommunications services under subsection  
18 (e);

19 (C) "Customer" does not include a reseller of  
20 telecommunications service or for mobile telecommunications service of a  
21 serving carrier under an agreement to serve the customer outside the home  
22 service provider's licensed service area;

23 (5) "Customer channel termination point" means the location  
24 where the customer either inputs or receives the communications;

25 (6)(A) "End user" means the person who utilizes the  
26 telecommunication service.

27 (B) In the case of an entity, "end user" means the  
28 individual who utilizes the service on behalf of the entity;

29 (7) "Home service provider" means the same as that term is  
30 defined in the Mobile Telecommunications Sourcing Act, Section 124(5) of  
31 Public Law 106-252;

32 (8) "Mobile telecommunications service" means the same as that  
33 term is defined in the Mobile Telecommunications Sourcing Act, Section 124(5)  
34 of Public Law 106-252;

35 (9)(A) "Place of primary use" means the street address  
36 representative of where the customer's use of the telecommunications service

1 primarily occurs, which must be the residential street address or the primary  
2 business street address of the customer.

3 (B) In the case of mobile telecommunications services,  
4 "place of primary use" must be within the licensed service area of the home  
5 service provider;

6 (10)(A) "Post-paid calling service" means the telecommunications  
7 service obtained by making a payment on a call-by-call basis either through  
8 the use of a credit card or payment mechanism such as a bank card, travel  
9 card, credit card, or debit card, or by charge made to which a telephone  
10 number which is not associated with the origination or termination of the  
11 telecommunications service.

12 (B) "Postpaid calling service" includes a  
13 telecommunications service that would be a prepaid calling service except it  
14 is not exclusively a telecommunication service;

15 (11) "Prepaid calling service" means the right to access  
16 exclusively telecommunications services, which must be paid for in advance  
17 and which enables the origination of calls using an access number or  
18 authorization code, whether manually or electronically dialed, and that is  
19 sold in predetermined units or dollars of which the number declines with use  
20 in a known amount;

21 (12) "Private communication service" means a telecommunication  
22 service that entitles the customer to exclusive or priority use of a  
23 communications channel or group of channels between or among termination  
24 points, regardless of the manner in which the channel or channels are  
25 connected, and includes switching capacity, extension lines, stations, and  
26 any other associated services that are provided in connection with the use of  
27 the channel or channels; and

28 (13) "Service address" means:

29 (A) The location of the telecommunications equipment to  
30 which a customer's call is charged and from which the call originates or  
31 terminates, regardless of where the call is billed or paid;

32 (B) If the location in subdivision (f)(13)(A) is not  
33 known, service address means the origination point of the signal of the  
34 telecommunications services first identified by either the seller's  
35 telecommunications system or in information received by the seller from its  
36 service provider, where the system used to transport the signals is not that

1 of the seller; or

2 (C) If the location in subdivision (f)(13)(A) and  
3 subdivision (f)(13)(B) are not known, the service address means the location  
4 of the customer's place of primary use.

5  
6 SECTION 10. Arkansas Code § 26-52-508(d)(3), regarding the collection  
7 of tax by sellers or admissions collectors, is repealed.

8 ~~(3) The director may, in the alternative and at his discretion,~~  
9 ~~set up by regulation a bracket system of collecting the tax due hereunder.~~

10  
11 SECTION 11. Arkansas Code Title 26, Chapter 52, Subchapter 5 is  
12 amended to add additional sections to read as follows:

13 26-52-521. Sourcing of Sales.

14 (a)(1) This section applies for purposes of determining a seller's  
15 obligation to pay or collect and remit a sales or use tax with respect to the  
16 seller's retail sale of a product or service.

17 (2) This section does not affect the obligation of a purchaser  
18 or lessee to remit tax on the use of the product or service to the taxing  
19 jurisdictions of that use and does not apply to the sales or use taxes levied  
20 on the retail sale, excluding lease or rental, of motor vehicles, trailers,  
21 or semitrailers, that require licensing.

22 (b) The retail sale, excluding lease or rental, of a product or  
23 service shall be sourced as follows:

24 (1) If the product or service is received by the purchaser at a  
25 business location of the seller, the sale is sourced to that business  
26 location;

27 (2) If the product or service is not received by the purchaser  
28 at a business location of the seller, the sale is sourced to the location  
29 where receipt by the purchaser, or the purchaser's designated donee, occurs,  
30 including the location indicated by instructions for delivery to the  
31 purchaser, or donee, known to the seller;

32 (3) If subsections (b)(1) and (b)(2) of this section do not  
33 apply, the sale is sourced to the location indicated by an address for the  
34 purchaser that is available from the business records of the seller that are  
35 maintained in the ordinary course of the seller's business when use of this  
36 address does not constitute bad faith;

1           (4) If subsections (b)(1), (b)(2), and (b)(3) of this section do  
2 not apply, the sale is sourced to the location indicated by an address for  
3 the purchaser obtained during the consummation of the sale, including the  
4 address of a purchaser's payment instrument, if no other address is  
5 available, when use of this address does not constitute bad faith; or

6           (5) If none of the previous rules of subsections (b)(1), (b)(2),  
7 (b)(3), or (b)(4) of this section apply, including the circumstance in which  
8 the seller is without sufficient information to apply the previous rules,  
9 then the location will be determined by the address from which tangible  
10 personal property was shipped or from which the service was provided,  
11 disregarding for these purposes any location that merely provided the digital  
12 transfer of the product sold.

13           (c) The lease or rental of tangible personal property, other than  
14 property identified in subsection (d) or subsection (e) of this section,  
15 shall be sourced as follows:

16           (1)(A) For a lease or rental that requires recurring periodic  
17 payments, the first periodic payment is sourced the same as a retail sale in  
18 accordance with the provisions of subsection (b) of this section.

19           (B) Periodic payments made after the first payment are  
20 sourced to the primary property location for each period covered by the  
21 payment.

22           (C) The primary property location shall be as indicated by  
23 an address for the property provided by the lessee that is available to the  
24 lessor from its records maintained in the ordinary course of business, if use  
25 of this address does not constitute bad faith.

26           (D) The property location shall not be altered by  
27 intermittent use at different locations, such as use of business property  
28 that accompanies employees on business trips and service calls;

29           (2) For a lease or rental that does not require recurring  
30 periodic payments, the payment is sourced the same as a retail sale in  
31 accordance with the provisions of subsection (b) of this section; and

32           (3) This subsection (c) does not affect the imposition or  
33 computation of sales or use tax on leases or rentals based on a lump sum or  
34 accelerated basis, or on the acquisition of property for lease.

35           (d) The lease or rental of motor vehicles, trailers, semitrailers, or  
36 aircraft that do not qualify as transportation equipment, as defined in

1 subsection (e) of this section, shall be sourced as follows:

2 (1)(A) For a lease or rental that requires recurring periodic  
3 payments, each periodic payment is sourced to the primary property location.

4 (B) The primary property location shall be as indicated by  
5 an address for the property provided by the lessee that is available to the  
6 lessor from its records maintained in the ordinary course of business, when  
7 use of this address does not constitute bad faith.

8 (C) This location shall not be altered by intermittent use  
9 at different locations;

10 (2) For a lease or rental that does not require recurring  
11 periodic payments, the payment is sourced the same as a retail sale in  
12 accordance with the provisions of subsection (b) of this section; and

13 (3) This subsection does not affect the imposition or  
14 computation of sales or use tax on leases or rentals based on a lump sum or  
15 accelerated basis, or on the acquisition of property for lease.

16 (e)(1) The retail sale, including lease or rental, of transportation  
17 equipment shall be sourced the same as a retail sale in accordance with the  
18 provisions of subsection (b) of this section, notwithstanding the exclusion  
19 of lease or rental in subsection (b) of this section.

20 (2) "Transportation equipment" means any of the following:

21 (A) Locomotives and railcars that are utilized for the  
22 carriage of persons or property in interstate commerce;

23 (B) Trucks and truck tractors with a Gross Vehicle Weight  
24 Rating of ten thousand one (10,001) pounds or greater, trailers,  
25 semitrailers, or passenger buses that are:

26 (i) Registered through the International  
27 Registration Plan; and

28 (ii) Operated under authority of a carrier  
29 authorized and certificated by the United States Department of Transportation  
30 or another federal authority to engage in the carriage of persons or property  
31 in interstate commerce;

32 (C) Aircraft that are operated by air carriers authorized  
33 and certificated by the United States Department of Transportation or another  
34 federal or a foreign authority to engage in the carriage of persons or  
35 property in interstate or foreign commerce; or

36 (D) Containers designed for use on and component parts

1 attached or secured on the items under subdivisions (e)(1) through (e)(3) of  
2 this section.

3 (f) For the purpose of subsection (b) of this section:

4 (1) "Receive" and "receipt" mean:

5 (A) Taking possession of tangible personal property; or

6 (B) Making first use of services; and

7 (2) "Receive" and "receipt" do not include possession by a  
8 shipping company on behalf of the purchaser.

9 (g) When a motor vehicle, trailer, or semitrailer, that requires  
10 licensing, is sold to a person who resides in Arkansas, the sale is sourced  
11 to the residence of the purchaser.

12 (h) This section shall apply to all state and local taxes administered  
13 by this department.

14  
15 26-52-522. Direct Mail Sourcing.

16 (a)(1) Notwithstanding § 26-52-521, a purchaser of direct mail that is  
17 not a holder of a direct pay permit shall provide to the seller in  
18 conjunction with the purchase either a direct mail form or information to  
19 show the state and local jurisdictions to which the direct mail is delivered  
20 to recipients.

21 (2)(A) Upon receipt of the direct mail form, the seller is  
22 relieved of all obligations to collect, pay, or remit the applicable tax and  
23 the purchaser is obligated to pay or remit the applicable tax on a direct pay  
24 basis.

25 (B) A direct mail form shall remain in effect for all  
26 future sales of direct mail by the seller to the purchaser until it is  
27 revoked in writing.

28 (3)(A) Upon receipt of information from the purchaser showing  
29 the jurisdictions to which the direct mail is delivered to recipients, the  
30 seller shall collect the tax according to the delivery information provided  
31 by the purchaser.

32 (B) In the absence of bad faith, the seller is relieved of  
33 any further obligation to collect tax on any transaction where the seller has  
34 collected tax pursuant to the delivery information provided by the purchaser.

35 (b)(1) If the purchaser of direct mail does not have a direct pay  
36 permit and does not provide the seller with either a direct mail form or

1 delivery information, as required by subsection (a) of this section, the  
 2 seller shall collect the tax according to § 26-52-521(b)(5).

3 (2) Nothing in this subsection shall limit a purchaser's  
 4 obligation for sales or use tax to any state to which the direct mail is  
 5 delivered.

6 (c) If a purchaser of direct mail provides the seller with  
 7 documentation of direct pay authority, the purchaser shall not be required to  
 8 provide a direct mail form or delivery information to the seller.

9 (d) The direct mail form must:

10 (1) Contain the purchaser's name and sales tax permit number;

11 (2) State that the purchaser will be remitting sales and use tax  
 12 to the state; and

13 (3) Contain any additional information that the director may  
 14 require.

15  
 16 SECTION 12. Arkansas Code § 26-53-102 is amended as follows:

17 26-53-102. Definitions.

18 As used in this subchapter, unless the context otherwise requires:

19 (1)(A) "Sales price" means the consideration paid or given, or  
 20 contracted to be paid or given, by the purchaser to the vendor for taxable  
 21 services or the article of the tangible personal property including any  
 22 services that are a part of the sale valued in money, whether paid in money  
 23 or otherwise, and includes any amount for which credit is given to the  
 24 purchaser by the vendor without any deduction therefrom on account of the  
 25 cost of the property sold, the cost of materials used, labor or service cost,  
 26 interest charged, losses, or any other expenses whatsoever; provided that  
 27 cash discounts, including cash, term, or coupons that are not reimbursed by a  
 28 third party, allowed and taken on sales shall not be included.

29 (B) "Sales price" shall not include:

30 (i) If separately stated, any interest, financing,  
 31 or carrying charges from credit extended on the sale or any taxes legally  
 32 imposed directly on the consumer that are separately stated on the invoice,  
 33 bill of sale, or similar document given to the purchaser; or

34 (ii) ~~the~~ The amount charged for property returned by  
 35 customers upon rescission of the contract of sales when the entire amount  
 36 charged therefor is refunded either in cash or credit, or the amount charged

1 for labor or services rendered in installing or applying the property sold,  
2 the use, storage, distribution, or consumption of which is taxable under this  
3 subchapter.

4 (C) The term "sales price" shall include, in addition to  
5 the consideration paid or given or contracted to be paid or given, the amount  
6 of any tariff or duty paid with respect to the importation of the taxable  
7 service or article stored, used, distributed, or consumed in this state;

8 (2) "Storage" means and includes any keeping or retention in  
9 this state of tangible personal property or taxable services purchased from a  
10 vendor for any purpose, except sale or subsequent use solely outside this  
11 state;

12 (3)(A) "Use", with respect to tangible personal property, means  
13 and includes the exercise of any right or power over tangible personal  
14 property incident to the ownership or control of that property, except that  
15 it shall not include the sale of that property in the regular course of  
16 business; and

17 (B) "Use", with respect to a taxable service, means and  
18 includes the privilege of using the service, enjoyment of the service, or the  
19 first act within this state by which the purchaser takes or assumes dominion  
20 or control over the service or the article of tangible personal property upon  
21 which the service was performed.

22 (4)(A) "Vendor" means and includes every person engaged in  
23 making sales of tangible personal property or taxable services by mail order,  
24 by advertising, by agent; or by peddling tangible personal property or  
25 taxable services, soliciting, or taking orders for sales of same for storage,  
26 use, distribution, or consumption in this state; and includes all salesmen,  
27 solicitors, hawkers, representatives, consignees, peddlers, or canvassers as  
28 agents of the dealers, distributors, consignors, supervisors, principals, or  
29 employers under whom they operate or from whom they obtain the tangible  
30 personal property or taxable services sold by them.

31 (B) Irrespective of whether persons are making sales on  
32 their own behalf or on behalf of dealers, distributors, consignors,  
33 supervisors, principals, or employers, they must be regarded as vendors; and  
34 the dealers, distributors, consignors, supervisors, principals, or employers  
35 must be regarded as vendors for purposes of this subchapter;

36 (5)(A) "Purchase" means the sale of tangible personal property

1 or taxable services by a vendor to a person for the purpose of storage, use,  
2 distribution, or consumption in this state.

3 (B) Furthermore, for purposes of this subchapter, the term  
4 "purchase" also includes any withdrawal of tangible personal property from a  
5 stock or reserve maintained outside of the state by any person and  
6 subsequently brought into this state and thereafter stored, consumed,  
7 distributed, or used by that person or by any other person, and, in such  
8 event, the tax shall be computed on the value of the tangible personal  
9 property at the time it is brought into this state.

10 (C) No tax shall be computed to the extent that a  
11 withdrawal consists of carbonaceous materials such as petroleum coke or  
12 carbon anodes which are to be directly used or consumed in the electrolytic  
13 reduction process of producing tangible personal property for ultimate sale  
14 at retail.

15 (6)(A) "Sale" means any transfer, barter, or exchange of the  
16 title or ownership of tangible personal property or taxable services, or the  
17 right to use, store, distribute, or consume the same for a consideration paid  
18 or to be paid, in installments or otherwise, and includes any transaction  
19 whether called leases, rentals, bailments, loans, conditional sales, or  
20 otherwise, notwithstanding that the title or possession of said property, or  
21 both, is retained for security.

22 (B) For the purpose of this subchapter, ~~the place of~~  
23 ~~delivery of tangible personal property to the purchaser, user, storer, or~~  
24 ~~consumer shall be deemed to be the place of sale, whether such delivery is~~  
25 ~~made by the vendor or by common carriers, private contractors, mails,~~  
26 ~~express, agents, salesmen, solicitors, hawkers, representatives, consignees,~~  
27 ~~peddlers, canvassers, or otherwise~~ the sale of tangible personal property or  
28 taxable services shall be sourced according to §§ 26-52-521, 26-52-522, and  
29 26-52-523;

30 (7) "Purchaser" means and includes any person who is the  
31 recipient of any sale of tangible personal property or taxable services for a  
32 valuable consideration acquired for use, storage, distribution, or  
33 consumption in this state;

34 (8)(A) "Person" includes any individual, company, partnership,  
35 limited liability company, joint venture, joint agreement, association,  
36 mutual or otherwise, corporation, estate, trust, business trust, fiduciary,

1 receiver or trustee appointed by any state or federal court or otherwise,  
 2 syndicate, this state, any county, city, municipality, school district, or  
 3 any other political subdivision of the state, or group or combination acting  
 4 as a unit, or any other legal entity.

5 (B) It is the purpose and intent of the General Assembly  
 6 in passing this subsection to provide the same definition for the word  
 7 "person" in this subchapter as that word is defined in the Arkansas Gross  
 8 Receipts Act, § 26-52-101 et seq. and the exclusion of any wording formerly  
 9 appearing in the definition of the word "person" in this subchapter shall by  
 10 no means be construed by the courts, or by administrative officials, as an  
 11 intention of the General Assembly to grant any additional exclusion or  
 12 exemption from the provisions of this subchapter;

13 (9) "Taxpayer" means any person remitting the tax or who should  
 14 remit the tax or should have remitted the tax levied by this subchapter;

15 (10) "Director" means the Director of the Department of Finance  
 16 and Administration;

17 (11)(A) "Tangible personal property" means personal property  
 18 which may be seen, weighed, measured, felt, touched, or is in any other  
 19 manner perceptible to the senses~~;~~.

20 (B) "Tangible personal property" includes electricity,  
 21 water, gas, steam, and prewritten computer software;

22 (12) "In this state" or "in the state" or "within this state"  
 23 means within the exterior limits of the State of Arkansas and includes all  
 24 territory within those limits owned by or ceded to the United States of  
 25 America~~;~~ and

26 (13) "Taxable service" means a service that is taxable under the  
 27 Arkansas Compensating Tax Act, § 26-53-101 et seq., or the Arkansas Gross  
 28 Receipts Act, § 26-52-101 et seq.

29  
 30 SECTION 13. Arkansas Code § 26-53-106(a), regarding the imposition and  
 31 rate of tax generally, is amended as follows:

32 (a) There is levied and there shall be collected from every person in  
 33 this state a tax or excise for the privilege of storing, using, distributing,  
 34 or consuming within this state any article of tangible personal property or  
 35 taxable service purchased for storage, use, distribution, or consumption in  
 36 this state at the rate of three percent (3%) of the sales price of the

1 property.

2  
3 SECTION 14. Arkansas Code § 26-53-106(c), regarding the imposition and  
4 rate of tax generally, is amended as follows:

5 (c) This tax shall apply to use, storage, distribution, or consumption  
6 of every article of tangible personal property or taxable service, except as  
7 provided in this subchapter, irrespective of whether the article or similar  
8 articles are manufactured within the State of Arkansas or are available for  
9 purchase within the State of Arkansas and irrespective of any other  
10 condition.

11  
12 SECTION 15. Arkansas Code § 26-53-106(d)(1)(A), regarding the  
13 imposition and rate of tax generally, is amended as follows:

14 (d)(1)(A) For the purpose of the proper administration of this  
15 subchapter and to prevent evasion of the tax and the duty to collect the tax  
16 imposed in this section, it shall be presumed that tangible personal property  
17 or taxable services sold by any vendor for delivery in this state or  
18 transportation to this state is sold for storage, use, distribution, or  
19 consumption in this state unless the vendor selling the tangible personal  
20 property or taxable service has taken from the purchaser a resale certificate  
21 signed by and bearing the name, address, and sales tax permit number of the  
22 purchaser certifying that the property or taxable service was purchased for  
23 resale except that sales made electronically will not require the purchaser's  
24 signature.

25  
26 SECTION 16. Arkansas Code § 26-53-106(d)(2), regarding the imposition  
27 and rate of tax generally, is amended as follows:

28 (2) It is further presumed that tangible personal property or  
29 taxable services shipped, mailed, expressed, transported, or brought to this  
30 state by the purchaser was purchased from a vendor for storage, use,  
31 distribution, or consumption in this state.

32  
33 SECTION 17. Arkansas Code § 26-53-107 is amended as follows:

34 26-53-107. Additional taxes levied.

35 (a) In addition to the excise tax levied upon the privilege of  
36 storing, using, distributing, or consuming tangible personal property and

1 taxable services within this state by the Arkansas Compensating Tax Act, §  
2 26-53-101 et seq., there is levied an excise tax of one percent (1%) upon all  
3 tangible personal property and taxable services subject to the tax levied in  
4 that act, and the tax shall be collected, reported, and paid in the same  
5 manner and at the same time as is prescribed by law for the collection,  
6 reporting, and payment of state compensating taxes.

7 (b) In addition to the excise tax levied upon the privilege of  
8 storing, using, distributing, or consuming tangible personal property and  
9 taxable services within the state by the Arkansas Compensating Tax Act, § 26-  
10 53-101 et seq., there is hereby levied an excise tax of one-half of one  
11 percent (0.5%) upon all tangible personal property and taxable services  
12 subject to the tax levied in that act, and such tax shall be collected,  
13 reported, and paid in the same manner and at the same time as is prescribed  
14 by law for the collection, reporting, and payment of Arkansas compensating  
15 taxes.

16 (c)(1) Beginning January 1, 2001, there is hereby levied an additional  
17 excise tax of one-half of one percent (0.5%) upon all tangible personal  
18 property and taxable services subject to the tax levied by the Arkansas  
19 Compensating Tax Act of 1949, § 26-53-101 et seq.

20 (2) The tax shall be collected, reported, and paid in the same  
21 manner and at the same time as is prescribed by the Arkansas Compensating Tax  
22 Act of 1949, § 26-53-101 et seq., for the collection, reporting, and payment  
23 of Arkansas compensating taxes.

24  
25 SECTION 18. Arkansas Code § 26-53-111(a), regarding the deduction for  
26 bad debts, is amended as follows:

27 (a)(1) In computing the amount of tax due under the Arkansas  
28 Compensating Tax Act, § 26-53-101 et seq., and any act supplemental thereto,  
29 taxpayers may deduct bad debts from the total amount upon which the tax is  
30 calculated ~~for any report~~ on the return for the period during which the bad  
31 debt is written off as uncollectable in the taxpayer's books and records and  
32 is eligible to be deducted for federal income tax purposes.

33 (2) Any deduction taken or refund paid which is attributed to  
34 bad debts shall not include interest.

35  
36 SECTION 19. Arkansas Code § 26-53-111(b)(1), regarding the deduction

1 for bad debts, is amended as follows:

2 (b)(1)(A) For purposes of this section, "bad debt" means any portion  
3 of a debt for an amount which a taxpayer has reported as taxable which the  
4 taxpayer legally claims as a bad debt deduction for federal income tax  
5 purposes.

6 (B) A taxpayer who is not required to file federal income  
7 tax returns may deduct a bad debt on a return filed for the period in which  
8 the bad debt is written off as uncollectable in the taxpayer's books and  
9 records and would be eligible for a bad debt deduction for federal income tax  
10 purposes if the taxpayer was required to file a federal income tax return.

11

12 SECTION 20. Arkansas Code § 26-53-111(e), regarding the deduction for  
13 bad debts, is amended as follows:

14 (e) If a deduction is taken for a bad debt and the taxpayer  
15 subsequently collects the debt in whole or in part, then the tax on the  
16 amount so collected shall be paid and reported on the ~~next return due after~~  
17 ~~the collection~~ return filed for the period in which the collection is made.

18

19 SECTION 21. Arkansas Code § 26-53-111, regarding the deduction for bad  
20 debts, is amended to add an additional subsection to read as follows:

21 (f)(1) When the filing responsibilities have been assumed by a  
22 certified service provider, as provided in the Uniform Sales and Use Tax  
23 Administration Act, § 26-20-101, et seq., the service provider will be  
24 allowed to claim, on behalf of the taxpayer, any bad debt allowance provided  
25 by this section.

26 (2) The certified service provider must credit or refund the  
27 full amount of any bad debt allowance or refund received to the taxpayer.

28

29 SECTION 22. Arkansas Code § 26-53-112 is amended as follows:

30 26-53-112. Exemptions generally.

31 There is specifically exempted from the taxes levied in this  
32 subchapter:

33 (1) Property or services, the storage, use, distribution, or  
34 consumption of which this state is prohibited from taxing under the  
35 Constitution or laws of the United States of America or of this state;

36 (2) Sales of tangible personal property or services on which the

1 tax under the Arkansas Gross Receipts Act, § 26-52-101 et seq., is levied,  
2 and any tangible personal property or services specifically exempted from  
3 taxation by the Arkansas Gross Receipts Act, § 26-52-101 et seq., and  
4 legislation enacted subsequent thereto.

5  
6 SECTION 23. Arkansas Code § 26-53-121(a), regarding registration of  
7 vendors, is amended as follows:

8 (a) Every vendor selling tangible personal property or taxable  
9 services for storage, use, distribution, or consumption in this state shall  
10 register with the director and give the names and addresses of all agents  
11 operating in this state, the location of any and all distribution or sales  
12 houses or offices of other places of business in this state, and such other  
13 information as the director may require.

14  
15 SECTION 24. Arkansas Code § 26-53-122 is amended as follows:

16 26-53-122. Agents furnished statements of compliance.

17 Every vendor selling tangible personal property or taxable services for  
18 storage, use, distribution, or consumption in this state shall furnish all  
19 agents with a statement to the effect that his or her principal has been and  
20 is complying with the provisions of this subchapter.

21  
22 SECTION 25. Arkansas Code § 26-53-123 is amended as follows:

23 26-53-123. Liability for tax.

24 (a) Every person storing, using, distributing, or consuming in this  
25 state tangible personal property or taxable services purchased from a vendor  
26 shall be liable for the tax imposed by this subchapter, and the liability  
27 shall not be extinguished until the tax has been paid to this state.

28 (b) However, a receipt, from a vendor authorized by the director under  
29 such rules and regulations as he or she may prescribe to collect the tax  
30 imposed, given to the purchaser in accordance with the provisions of §§ 26-  
31 53-121 and 26-53-122, shall be sufficient to relieve the purchaser from  
32 further liability for the tax to which the receipt may refer.

33  
34 SECTION 26. Arkansas Code § 26-53-124(a), regarding collection of tax  
35 by vendors, is amended as follows:

36 (a)(1)(A) Every vendor making a sale of tangible personal property or

1 taxable services directly or indirectly for the purpose of storage, use,  
2 distribution, or consumption in this state shall collect the tax from the  
3 purchaser and give a receipt therefor.

4 (B) This provision includes all out-of-state vendors who  
5 deliver merchandise and taxable services into Arkansas in their own  
6 conveyance where such merchandise or services will be stored, used,  
7 distributed, or consumed within this state.

8 (C) The sale of tangible personal property or taxable  
9 services will be sourced according to §§ 26-52-521, 26-52-522, and 26-52-523.

10 (2) The required amount of the tax collected by the vendor from  
11 the purchaser shall be displayed separately upon the check, sales slip, bill,  
12 receipt, or other evidence of sale.

13  
14 SECTION 27. Arkansas Code § 26-53-125(a)(2), regarding the return and  
15 payment of tax, is amended as follows:

16 (2) Every vendor selling tangible personal property or taxable  
17 services for storage, use, distribution, or consumption in this state shall  
18 on or before the twentieth day of each month file with the director a return  
19 for the preceding monthly period in such form as may be prescribed by the  
20 director, showing the total combined sales price of all tangible personal  
21 property or taxable services sold by the vendor during the preceding monthly  
22 period, the storage, use, distribution, or consumption of which is subject to  
23 the tax levied by this subchapter, and such other information as the director  
24 may deem necessary for the proper administration of this subchapter.

25  
26 SECTION 28. Arkansas Code § 26-53-125(a)(4), regarding the return and  
27 payment of tax, is amended as follows:

28 (4)(A) Returns shall be signed by the vendor or his or her duly  
29 authorized agent but need not be verified by oath.

30 (B) Returns filed electronically will not need to be  
31 signed.

32  
33 SECTION 29. Arkansas Code § 26-53-125(b), regarding the return and  
34 payment of tax, is amended as follows:

35 (b)(1) Every person purchasing tangible personal property or services,  
36 the storage, use, distribution, or consumption of which is subject to the tax

1 levied by this subchapter, and who has not paid the tax due with respect  
2 thereto to a vendor, registered in accordance with the provisions of §§ 26-  
3 53-121 and 26-53-122, shall on or before the twentieth day of each month file  
4 with the director a return for the preceding monthly period in such form as  
5 may be prescribed by the director showing the total sales price of the  
6 tangible personal property or taxable services purchased during such  
7 preceding monthly period and such other information as the director may deem  
8 necessary for the proper administration of this subchapter.

9 (2) The return shall be accompanied by a remittance of the  
10 amount of the tax herein required to be paid by the person purchasing the  
11 tangible personal property or taxable services during the period covered by  
12 the return.

13 (3)(A) Returns shall be signed by the person liable for the tax  
14 or his or her authorized agent but need not be verified by oath.

15 (B) Returns filed electronically will not need to be  
16 signed.

17  
18 SECTION 30. Arkansas Code § 26-53-125, regarding the return and  
19 payment of tax, *is amended to add additional subsections to read as follows:*

20 (c) Vendors that do not have a legal requirement to register under the  
21 Arkansas Gross Receipts Act, § 26-52-101 et seq., or the Arkansas  
22 Compensating Tax Act, § 26-53-101 et seq., and are not using a certified  
23 service provider or a certified automated system, as defined under the  
24 Uniform Sales and Use Tax Administration Act, § 26-20-101, et seq., shall  
25 submit sales and use tax returns as follows:

26 (1) Upon registration, the director shall provide the vendor the  
27 required Arkansas returns;

28 (2) The vendor shall file a return anytime within one (1) year  
29 of the month of initial registration, and future returns may be required on  
30 an annual basis in succeeding years; and

31 (3) In addition to the returns required in subsection (c)(2),  
32 the vendor may be required to submit returns in the month following any month  
33 in which they have accumulated state and local tax funds in the total amount  
34 of one thousand dollars (\$1,000) or more.

35 (d) Any report or remittance required under this section, the due date  
36 of which falls on a Saturday, Sunday, or legal holiday, the report or

1 remittance shall be postmarked or transmitted on the next succeeding business  
2 day which is not a Saturday, Sunday, or legal holiday.

3  
4 SECTION 31. Arkansas Code § 26-53-131(a), regarding credit for tax  
5 paid in another state, is amended as follows:

6 (a)(1)(A) The provisions of the Arkansas Compensating Tax Act, § 26-  
7 53-101 et seq., shall not apply to any tangible personal property or taxable  
8 services used, consumed, distributed, or stored in this state upon which a  
9 like tax, equal to or greater than the tax imposed by the Arkansas  
10 Compensating Tax Act, has been paid in another state. Proof of payment of  
11 such tax shall be made according to the rules and regulations promulgated by  
12 the Director of the Department of Finance and Administration.

13 (B) If the amount of tax paid in another state is less  
14 than the amount of Arkansas compensating tax imposed on the property or  
15 services by § 26-53-101 et seq., then the taxpayer shall pay to the director  
16 an amount of Arkansas compensating tax sufficient to make the combined amount  
17 of tax paid in the other state and this state equal to the total amount of  
18 Arkansas compensating tax which would be due if no tax had been paid to any  
19 other state on the property or services.

20 (2) No credit shall be given under this section for taxes paid  
21 on such property or services in another state if that state does not grant  
22 credit for taxes paid on similar tangible personal property or services in  
23 this state.

24  
25 SECTION 32. Arkansas Code § 26-53-301 is amended as follows:

26 26-53-301. Authorization to enter.

27 (a) The Director of the Department of Finance and Administration, when  
28 in his or her judgment it is necessary in order to secure the collection of  
29 any tax, penalties, or interests due or to become due under this subchapter,  
30 is authorized to negotiate agreements with the tax departments of other  
31 states in respect to the collecting, reporting, payment, and enforcement of  
32 tax on sales of tangible personal property or taxable services to residents  
33 of Arkansas by a retailer maintaining a place of business in the other state.

34 (b) In consideration of such an agreement, the director is authorized  
35 to make similar agreements for the collecting, reporting, payment, and  
36 enforcement of tax as imposed by the other states on sales of tangible

1 personal property or taxable services to residents of other states by  
2 retailers maintaining a place of business in Arkansas.

3  
4 SECTION 33. Effective January 1, 2006, Arkansas Code § 26-73-301 is  
5 amended to read as follows:

6 Any municipal or county sales or use tax levied pursuant to the laws of  
7 this state shall be levied and collected only on the first two thousand five  
8 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price  
9 ~~from a single transaction~~ on the sale of motor vehicles, aircraft,  
10 watercraft, modular homes, manufactured homes, and mobile homes. This  
11 provision shall apply to all municipal and county sales and use taxes  
12 heretofore or hereafter adopted and shall be in addition to and not in lieu  
13 of any other limitations imposed by law.

14  
15 SECTION 34. Arkansas Code § 26-74-209(d), regarding effective date of  
16 rate change, is amended as follows:

17 (d)(1) The county court shall notify the director of the countywide  
18 tax after publication of the proclamation has occurred and ninety (90) days  
19 before the effective date of the tax.

20 ~~(d)(2)~~ If no election challenge is timely filed, the countywide  
21 tax shall be levied, effective on the first day of the first month of the  
22 calendar quarter after a minimum of sixty (60) days' notice by the director  
23 to sellers and subsequent to after the expiration of the thirty-day challenge  
24 period, on the gross receipts from the sale at retail within the county of  
25 all items and services which are subject to the Arkansas Gross Receipts Act  
26 of 1941, § 26-52-101 et seq., and, in every county where the local sales and  
27 use tax has been adopted pursuant to the provisions of this subchapter, there  
28 is imposed an excise tax on the storage, use, distribution, or consumption  
29 within the county of tangible personal property or services purchased,  
30 leased, or rented from any retailer outside the state after the effective  
31 date of the sales and use tax for storage, use, distribution, or other  
32 consumption in the county at the same rate on the sale price of the property  
33 or, in the case of leases or rentals, on the lease or rental price, the rate  
34 of the use tax to correspond to the rate of the sales tax portion of the tax.

35 (3) The use tax portion of the local sales and use tax shall be  
36 collected according to the terms of the Arkansas Compensating Tax Act of

1 1949, § 26-53-101 et seq.

2  
3 SECTION 35. Arkansas Code § 26-74-211 is amended as follows:

4 26-74-211. Notification of results.

5 (a) Within ten (10) days after the certification of the votes of any  
6 election resulting in the adoption or abolition of a tax levied pursuant to  
7 this subchapter, and ninety (90) days before its effective date, the county  
8 court shall notify the director of such results and furnish the director with  
9 a map clearly indicating the boundaries of the county and the boundaries of  
10 each incorporated area within the county.

11 (b) Rate changes will be effective only on the first day of a calendar  
12 quarter after a minimum of sixty (60) days' notice by the director to  
13 sellers.

14 (c) Rate changes on purchases from printed catalogs in which the  
15 purchaser computed the tax based upon local tax rates published in the  
16 catalog will be applicable on the first day of a calendar quarter after a  
17 minimum of one hundred twenty (120) days' notice by the director to the  
18 sellers.

19 (d) For sales and use tax purposes only, local boundary changes will  
20 only become effective on the first day of a calendar quarter after a minimum  
21 of sixty (60) days' notice by the director to sellers.

22  
23 SECTION 36. Arkansas Code § 26-74-212 is amended as follows:

24 26-74-212. Applicability of tax.

25 ~~(a)(1) A county sales tax levied pursuant to the authority granted in~~  
26 ~~under this subchapter or in § 26-74-301 et seq. shall be applicable to sales~~  
27 ~~of items and services sold by a business located in the levying county to a~~  
28 ~~resident or nonresident of the levying county but shall not be applicable to~~  
29 ~~the sale of motor vehicles to nonresidents of the county; provided, however,~~  
30 ~~the tax shall not be applicable to the sale of items and services sold to a~~  
31 ~~nonresident of the levying county if the sale is made for delivery to an~~  
32 ~~address which is in a city or county that does not impose a city or county~~  
33 ~~sales tax, and the sale is of an item that is primarily sold through meter~~  
34 ~~and by route delivery, if the sale is documented by a sales invoice~~  
35 ~~indicating that the sale was made for delivery, and that delivery was~~  
36 ~~actually made to the person at the place noted thereon located outside a~~

1 ~~county or city in which a sales tax is levied and the tax shall be~~  
 2 ~~administered under the Arkansas Gross Receipts Act of 1941, § 26-52-101, et~~  
 3 ~~seq., and the Arkansas Compensating Tax Act of 1949, § 26-53-101, et seq.~~

4 ~~(2) When a motor vehicle is sold to a person who resides in~~  
 5 ~~Arkansas but outside the county where the sale was made, and the city and/or~~  
 6 ~~county of residence of the purchaser levies a sales and use tax, a use tax~~  
 7 ~~shall be collected at the rate levied in the city and/or county of residence~~  
 8 ~~of the purchaser, and in that event the tax shall be transmitted to the city~~  
 9 ~~and/or county of residence.~~

10 ~~(b) The tax shall not be applicable to the sale of the following~~  
 11 ~~items, if the sale is made to a nonresident of the levying county and the~~  
 12 ~~sales invoice indicates that the sale was made for delivery to, and delivery~~  
 13 ~~was actually made to, an address which is located in a city or county that~~  
 14 ~~does not impose a city or county sales tax:~~

15 ~~(1) Aviation fuel;~~

16 ~~(2) Distillate special fuel used for agricultural purposes;~~

17 ~~(3) Agricultural machinery, parts, repairs, and supplies~~

18 ~~therefor;~~

19 ~~(4) Water wells and water well supplies;~~

20 ~~(5) Agricultural feed, seed, and fertilizer; and~~

21 ~~(6) Agricultural chemicals.~~

22 ~~(e)(b) When a direct pay permit holder purchases tangible personal~~  
 23 ~~property or taxable services either from an Arkansas or out of state vendor~~  
 24 ~~for use, storage, consumption or distribution in Arkansas, the permit holder~~  
 25 ~~shall accrue and remit the county sales or use tax, if any, of the county~~  
 26 ~~where the property or services ~~is~~ are first used, stored, consumed, or~~  
 27 ~~distributed. When a direct pay permit holder purchases taxable services, the~~  
 28 ~~permit holder shall accrue and remit the sales tax, if any, of the county~~  
 29 ~~where the services are performed.~~

30  
 31 SECTION 37. *Effective January 1, 2006, Arkansas Code § 26-74-213 is*  
 32 *amended as follows:*

33 26-74-213. Rebates.

34 (a) A county shall provide in its ordinance authorized by this  
 35 subchapter a rebate from the county for taxes collected pursuant to this  
 36 subchapter in excess of the tax on the first two thousand five hundred

1 dollars (\$2,500) of gross receipts, gross proceeds, or sales price ~~from a~~  
 2 ~~single transaction~~ on the sale of motor vehicles, aircraft, watercraft,  
 3 modular homes, manufactured homes, or mobile homes.

4 (b)(1) Where a rebate would be due pursuant to the provisions of this  
 5 subchapter as a result of the purchase of a new or used motor vehicle and  
 6 where the tax thereon is collected directly from the purchaser pursuant to  
 7 the provisions of § 26-52-510, then the director shall collect only the  
 8 amount of tax due less the amount to which the purchaser would be entitled  
 9 under the rebate provisions of this subchapter.

10 (2) Where the rebate is credited against tax paid as set out in  
 11 this subsection, then no other rebate of the tax shall be given.

12 (c) In counties which prior to December 1, 1981, have adopted a county  
 13 sales tax pursuant to § 26-74-301 et seq., the quorum court may, by  
 14 ordinance, provide for a rebate of any county sales and use taxes collected  
 15 in excess of a specified amount ~~on any single transaction~~ on the sale of  
 16 motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or  
 17 mobile homes.

18  
 19 SECTION 38. *Effective January 1, 2006, Arkansas Code § 26-74-220 is*  
 20 *amended as follows:*

21 26-74-220. Maximum tax limitation.

22 (a)~~(1)~~ Any county general sales or use tax levied pursuant to this  
 23 subchapter shall be levied and collected only on the first two thousand five  
 24 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price  
 25 ~~from a single transaction,~~ on the sale of motor vehicles, aircraft,  
 26 watercraft, modular homes, manufactured homes, or mobile homes, and vendors  
 27 shall be responsible for collecting and remitting the tax only on the first  
 28 two thousand five hundred dollars (\$2,500) of gross receipts, gross proceeds,  
 29 or sales price ~~from a single transaction~~ on the sale of motor vehicles,  
 30 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

31 ~~(2)(A)~~(b)(1) Each vendor who is liable for one (1) or more  
 32 county sales or use taxes shall report a combined county sales tax and a  
 33 combined county use tax on his or her sales and use tax report.

34 ~~(B)~~(2) The combined county sales tax is equal to the sum  
 35 of all sales taxes levied by a county under this subchapter or any other  
 36 provision of the Arkansas Code.

1                   ~~(G)(3)~~ The combined county use tax is equal to the sum of  
2 all use taxes levied by a county under this subchapter or any other provision  
3 of the Arkansas Code.

4                   ~~(3)(c)~~ This provision applies only to taxes collected by the  
5 Director of the Department of Finance and Administration.

6                   ~~(b)(1)~~ The term "single transaction", as used in this section and §§  
7 26-75-207—26-75-212, shall be defined by ordinance of the county levying  
8 the tax.

9                   ~~(2)(A)~~ Every county ordinance adopted after January 1, 1998,  
10 which calls for an election to levy a local sales and use tax authorized by  
11 this subchapter or any other provision of the Arkansas Code shall contain a  
12 definition of the term "single transaction" which definition shall amend all  
13 other previous ordinances defining "single transaction".

14                   ~~(B)~~ Provided, however, any county which adopts an  
15 ordinance which calls for an election to levy a local sales and use tax  
16 authorized by this subchapter or any other provision of the Arkansas Code may  
17 comply with this provision by adopting a definition of the term "single  
18 transaction" prior to the commencement of the collection of the local sales  
19 and use tax.

20                   ~~(3)~~ Effective January 1, 1998, the most recent definition of  
21 "single transaction" adopted prior to January 1, 1998, shall apply to and  
22 amend all previous local sales and use tax ordinances.

23                   ~~(4)~~ It is the intent of this provision to require each county  
24 which levies a local sales and use tax to adopt a uniform definition of the  
25 term "single transaction" for all taxes levied by the county.

26                   ~~(5)~~ This provision is limited to ordinances levying local sales  
27 and use taxes collected by the Department of Finance and Administration.

28  
29                   SECTION 39. Arkansas Code § 26-74-309(d), regarding effective date of  
30 rate change, is amended as follows:

31                   ~~(d)(1)~~ The county court shall notify the director of the countywide  
32 tax after publication of the proclamation has occurred and ninety (90) days  
33 before the effective date of the tax.

34                   ~~(2)~~ If no election challenge is timely filed, the countywide tax  
35 shall be levied, effective on the first day of the first month of the  
36 calendar quarter after a minimum of sixty (60) days' notice by the director

1 to sellers and subsequent to after the expiration of the thirty-day challenge  
 2 period, on the gross receipts from the sale at retail within the county of  
 3 all items and services which are subject to the Arkansas Gross Receipts Act  
 4 of 1941, § 26-52-101 et seq., and the Compensating Tax Act of 1949, § 26-53-  
 5 101 et seq.

6  
 7 SECTION 40. Arkansas Code § 26-74-311 is amended as follows:

8 26-74-311. Notification of results.

9 (a) Within ten (10) days after the certification of the votes of any  
 10 election resulting in the adoption or abolition of a tax levied pursuant to  
 11 this subchapter, and ninety (90) days before the effective date, the county  
 12 court shall notify the director of the results and furnish the director with  
 13 a map clearly indicating the boundaries of the county and the boundaries of  
 14 each incorporated area within the county.

15 (b) Rate changes will become effective only on the first day of a  
 16 calendar quarter after a minimum of sixty (60) days' notice by the director  
 17 to sellers.

18 (c) Rate changes on purchases from printed catalogs in which the  
 19 purchaser computed the tax based upon local tax rates published in the  
 20 catalog will be applicable beginning on the first day of a calendar quarter  
 21 after a minimum of one hundred twenty (120) days' notice by the director to  
 22 the sellers.

23 (d) For sales and use tax purposes only, local boundary changes will  
 24 only become effective on the first day of a calendar quarter after a minimum  
 25 of sixty (60) days' notice by the director to sellers.

26  
 27 SECTION 41. Arkansas Code § 26-74-312(b) is amended as follows:

28 (b) The director shall collect, in addition to the state gross  
 29 receipts tax, an additional tax under the authority of this subchapter on the  
 30 gross receipts from the sale ~~at retail within the county~~ of all items and  
 31 services which are subject to the Arkansas Gross Receipts Act, § 26-52-101 et  
 32 seq., and the Arkansas Compensating Use Tax Act, § 26-53-101 et seq.

33  
 34 SECTION 42. *Effective January 1, 2006, Arkansas Code § 26-74-320 is*  
 35 *amended to read as follows:*

36 (a)(1) *Any county general sales or use tax levied pursuant to this*

1 subchapter shall be levied and collected only on the first two thousand five  
2 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price  
3 ~~from a single transaction~~ on the sale of motor vehicles, aircraft,  
4 watercraft, modular homes, manufactured homes, or mobile homes, and vendors  
5 shall be responsible for collecting and remitting the tax only on the first  
6 two thousand five hundred dollars (\$2,500) of gross receipts, gross proceeds,  
7 or sales price ~~from a single transaction~~ on the sale of motor vehicles,  
8 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

9 (2)(A) Each vendor who is liable for one (1) or more county  
10 sales or use taxes shall report a combined county sales tax and a combined  
11 county use tax on his or her sales and use tax report.

12 (B) The combined county sales tax is equal to the sum of  
13 all sales taxes levied by a county under this subchapter or any other  
14 provision of the Arkansas Code.

15 (C) The combined county use tax is equal to the sum of all  
16 use taxes levied by a county under this subchapter or any other provision of  
17 the Arkansas Code.

18 (3) This provision applies only to taxes collected by the  
19 Director of the Department of Finance and Administration.

20 ~~(b)(1) The term "single transaction", as used in this section, shall~~  
21 ~~be defined by ordinance.~~

22 ~~(2)(A) Every county ordinance adopted after January 1, 1998,~~  
23 ~~which calls for an election to levy a local sales and use tax authorized by~~  
24 ~~this subchapter or any other provision of the Arkansas Code shall contain a~~  
25 ~~definition of the term "single transaction", which definition shall amend all~~  
26 ~~other previous ordinances defining "single transaction".~~

27 ~~(B) Provided, however, any county which adopts an~~  
28 ~~ordinance which calls for an election to levy a local sales and use tax~~  
29 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~  
30 ~~comply with this provision by adopting a definition of the term "single~~  
31 ~~transaction" prior to the commencement of the collection of the local sales~~  
32 ~~and use tax.~~

33 ~~(3) The most recent definition of "single transaction" adopted~~  
34 ~~prior to January 1, 1998, shall apply to and amend all previous local sales~~  
35 ~~and use tax ordinances.~~

36 ~~(4) It is the intent of this provision to require each county~~

1 ~~which levies a local sales and use tax to adopt a uniform definition of the~~  
2 ~~term "single transaction" for all taxes levied by the county.~~

3 ~~(5) This provision is limited to ordinances levying local sales~~  
4 ~~and use taxes collected by the department.~~

5  
6 SECTION 43. Arkansas Code § 26-74-404(d), regarding the effective date  
7 for rate changes, is amended as follows:

8 (d)(1) The county court shall notify the director of the tax after  
9 publication of the proclamation has occurred and ninety (90) days before the  
10 effective date of the tax.

11 (2) If no election challenge is timely filed, there shall be  
12 levied, effective on the first day of the first month of the calendar quarter  
13 after a minimum of sixty (60) days' notice by the director to sellers and  
14 ~~subsequent to~~ after the expiration of the thirty-day challenge period, a one-  
15 half percent (0.5%) tax on the gross receipts from the sale at retail within  
16 ~~the county~~ of all items which are subject to the Arkansas Gross Receipts Act  
17 of 1941, § 26-52-101 et seq., and the Arkansas Compensating Tax Act of 1949,  
18 § 26-53-101 et seq., and, in every county where the local sales and use tax  
19 has been adopted pursuant to the provisions of this subchapter, there is  
20 imposed an excise tax on the storage, use, distribution, or consumption  
21 within the county of tangible personal property and services purchased,  
22 leased, or rented from any retailer outside the state after the effective  
23 date of the sales and use tax for storage, use, distribution, or other  
24 consumption in the county at a rate of one-half percent (0.5%) of the sale  
25 price of the property and services or, in the case of leases or rentals, of  
26 the lease or rental price, the rate of the use tax to correspond to the rate  
27 of the sales tax portion of the tax.

28 (3) The use tax portion of the local sales and use tax shall be  
29 collected according to the terms of the Arkansas Compensating Tax Act of  
30 1949, § 26-53-101 et seq.

31  
32 SECTION 44. Arkansas Code § 26-74-406 is amended as follows:

33 26-74-406. Notification of results.

34 (a) Within ten (10) days after the certification of the votes of any  
35 election resulting in the adoption of a tax levied pursuant to this  
36 subchapter, and ninety (90) days prior to the effective date of the rate

1 change, the county court shall notify the director of such results.

2 (b) Rate changes will become effective only on the first day of a  
3 calendar quarter after a minimum of sixty (60) days' notice by the director  
4 to sellers.

5 (c) Rate changes on purchases from printed catalogs in which the  
6 purchaser computed the tax based upon local tax rates published in the  
7 catalog will be applicable beginning on the first day of a calendar quarter  
8 after a minimum of one hundred twenty (120) days' notice by the director to  
9 the sellers.

10 (d) For sales and use tax purposes only, local boundary changes will  
11 only become effective on the first day of a calendar quarter after a minimum  
12 of sixty (60) days' notice by the director to sellers.

13  
14 SECTION 45. Arkansas Code § 26-74-407 is amended as follows:

15 26-74-407. Applicability of tax.

16 ~~(a)~~ A county sales tax levied pursuant to the authority granted in  
17 this subchapter or in § 26-74-301 et seq. shall be applicable to sales of  
18 items and services sold by a business ~~located in the levying county to a~~  
19 ~~resident or nonresident of the levying county~~ and shall be administered under  
20 the Arkansas Gross Receipts Act of 1941, Arkansas Code § 26-52-101, et seq.,  
21 and the Arkansas Compensating Tax Act of 1949, Arkansas Code § 26-53-101, et  
22 seq.

23 ~~(b) This sales tax shall not be applicable to sales of items or~~  
24 ~~services by a business located in a county which levies no county sales tax,~~  
25 ~~regardless of the place of residence of the purchaser.~~

26  
27 SECTION 46. *Effective January 1, 2006, Arkansas Code § 26-74-408(a),*  
28 *regarding rebates, is amended as follows:*

29 (a) A county shall provide in its ordinance authorized by this  
30 subchapter a rebate from the county for taxes collected pursuant to this  
31 subchapter in excess of ~~twenty five dollars (\$25.00) paid to the county on a~~  
32 ~~single transaction~~ two thousand five hundred dollars (\$2,500) of the gross  
33 receipts, gross proceeds, or sales price on the sale of motor vehicles,  
34 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

35  
36 SECTION 47. *Effective January 1, 2006, Arkansas Code § 26-74-412 is*

1 amended as follows:

2 26-74-412. Maximum tax limitation.

3 (a)(1) Any county general sales or use tax levied pursuant to this  
4 subchapter shall be levied and collected only ~~to a maximum tax of twenty five~~  
5 ~~dollars (\$25.00) on each single transaction,~~ on the first two thousand five  
6 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price on  
7 the sale of motor vehicles, aircraft, watercraft, modular homes, manufactured  
8 homes, or mobile homes, and vendors shall be responsible for collecting and  
9 remitting the tax only ~~to the maximum of twenty five dollars (\$25.00) for~~  
10 ~~each single transaction~~ on the first two thousand five hundred dollars  
11 (\$2,500) of gross receipts, gross proceeds, or sales price on the sale of  
12 motor vehicles, aircraft, watercraft, modular homes, manufactured homes, or  
13 mobile homes.

14 (2) Vendors collecting, reporting, and remitting the county  
15 sales or use taxes shall show county sales taxes as a separate entry on the  
16 tax report form filed with the director.

17 ~~(b)(1) The term "single transaction", as used in this section and §§~~  
18 ~~26-75-207—26-75-212, shall be defined by ordinance of the county levying~~  
19 ~~the tax.~~

20 ~~(2)(A) Every county ordinance adopted after January 1, 1998,~~  
21 ~~which calls for an election to levy a local sales and use tax authorized by~~  
22 ~~this subchapter or any other provision of the Arkansas Code shall contain a~~  
23 ~~definition of the term "single transaction" which definition shall amend all~~  
24 ~~other previous ordinances defining "single transaction".~~

25 ~~(B) Provided, however, any county which adopts an~~  
26 ~~ordinance which calls for an election to levy a local sales and use tax~~  
27 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~  
28 ~~comply with this provision by adopting a definition of the term "single~~  
29 ~~transaction" prior to the commencement of the collection of the local sales~~  
30 ~~and use tax.~~

31 ~~(3) Effective January 1, 1998, the most recent definition of~~  
32 ~~"single transaction" adopted prior to January 1, 1998, shall apply to and~~  
33 ~~amend all previous local sales and use tax ordinances.~~

34 ~~(4) It is the intent of this provision to require each county~~  
35 ~~which levies a local sales and use tax to adopt a uniform definition of the~~  
36 ~~term "single transaction" for all taxes levied by the county.~~

1           ~~(5) This provision is limited to ordinances levying local sales~~  
 2 ~~and use taxes collected by the Department of Finance and Administration.~~

3           ~~(e)~~ (b)(1) In the case of any taxpayer not subject to the levy of a  
 4 use tax on tangible personal property or taxable services brought into the  
 5 State of Arkansas for storage until such property is subsequently initially  
 6 used in the State of Arkansas, a county use tax shall be computed on each  
 7 purchase of such property and services by the taxpayer as if all such  
 8 property was subject upon purchase to the county use tax up to ~~a maximum of~~  
 9 ~~twenty five dollars (\$25.00) per single transaction~~ the first two thousand  
 10 five hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales  
 11 price on the sale of motor vehicles, aircraft, watercraft, modular homes,  
 12 manufactured homes, or mobile homes.

13           (2) The taxes so computed shall be aggregated on a monthly  
 14 basis, and the aggregate monthly amount shall be divided by the sum of the  
 15 total purchases of such property on which the taxes are computed, and the  
 16 quotient shall be multiplied by the amount of the taxpayer's property  
 17 subsequently initially used and subject to levy of a use tax within the  
 18 county during the month for which the monthly aggregate tax figure was  
 19 computed, and the product shall be the amount of county use tax liability for  
 20 *the taxpayer for the month computed.*

21  
 22           SECTION 48. Arkansas Code § 26-74-605(e) is amended to read as  
 23 follows:

24           (e) *If no election challenge is timely filed, there shall be levied,*  
 25 *effective on the first day of the first month of the calendar quarter after a*  
 26 *minimum of sixty (60) days' notice by the director to sellers and subsequent*  
 27 *to the expiration of the thirty-day challenge period, a county-wide tax on*  
 28 *the gross receipts from the sale at retail within the eligible county of all*  
 29 *items that are subject to the Arkansas Gross Receipts Act of 1941, § 26-52-*  
 30 *101 et seq. Furthermore, in every eligible county where the local sales and*  
 31 *use tax has been adopted pursuant to the provisions of this subchapter, there*  
 32 *is imposed an excise tax on the storage, use, distribution, or consumption*  
 33 *within the eligible county of taxable services and tangible personal property*  
 34 *purchased, leased, or rented from any retailer outside the state after the*  
 35 *effective date of the sales and use tax for storage, use, distribution, or*  
 36 *other consumption in the eligible county at the same rate as on the sale*

1 price of the property or, in the case of leases or rentals, of the lease or  
2 rental price, the rate of the use tax to correspond to the rate of the sales  
3 tax portion of the tax. The use tax portion of the local sales and use tax  
4 shall be collected according to the terms of the Arkansas Compensating Tax  
5 Act of 1949, § 26-53-101 et seq.

6  
7 SECTION 49. Arkansas Code § 26-74-607 is amended to read as follows:  
8 Within ten (10) days after the certification of the votes of any  
9 election resulting in the adoption or abolition of a tax levied pursuant to  
10 this subchapter and ninety (90) days before the effective date of the tax,  
11 the county judge shall notify the Director of the Department of Finance and  
12 Administration of the results.

13  
14 SECTION 50. Arkansas Code § 26-74-608 is amended to read as follows:  
15 26-74-608. Applicability of tax.

16 (a)(1) A tax levied pursuant to the authority granted in this  
17 subchapter shall be applicable to sales of items and services sold by a  
18 business ~~located in the eligible county to a resident or nonresident of the~~  
19 ~~eligible county but shall not be applicable to the sale of motor vehicles to~~  
20 ~~nonresidents of the eligible county. Provided, however, the tax shall not be~~  
21 ~~applicable to the sale of items and services sold to a nonresident of the~~  
22 ~~eligible county if the sale is made for delivery to an address that is in a~~  
23 ~~city or county that does not impose a city or county sales tax and the sale~~  
24 ~~is of an item that is primarily sold through meter and by route delivery if~~  
25 ~~the sale is documented by a sales invoice indicating that the sale was made~~  
26 ~~for delivery and that delivery was actually made to the person at the place~~  
27 ~~noted thereon located outside a county or city in which a sales tax is levied~~  
28 and the tax shall be administered under the Arkansas Gross Receipts Act of  
29 1941, § 26-52-101, et seq., and the Arkansas Compensating Tax Act of 1949, §  
30 26-53-101, et seq.

31 ~~(2) When a motor vehicle is sold to a person who resides in~~  
32 ~~Arkansas but outside the eligible county where the sale was made and when the~~  
33 ~~city or county, or both, of residence of the purchaser levies a sales and use~~  
34 ~~tax, a use tax shall be collected at the rate levied in the city or county,~~  
35 ~~or both, of residence of the purchaser, and in that event the tax shall be~~  
36 ~~transmitted to the city or county, or both, of residence.~~

1 ~~(b) The tax shall not be applicable to the sale of the following items~~  
 2 ~~if the sale is made to a nonresident of the eligible county and if the sales~~  
 3 ~~invoice indicates that the sale was made for delivery to and delivery was~~  
 4 ~~actually made to an address that is located in a city or county that does not~~  
 5 ~~impose a city or county sales tax:~~

6 ~~(1) Aviation fuel;~~

7 ~~(2) Distillate special fuel used for agricultural purposes;~~

8 ~~(3) Agricultural machinery, parts, repairs, and supplies~~  
 9 ~~therefor;~~

10 ~~(4) Water wells and water well supplies;~~

11 ~~(5) Agricultural feed, seed, and fertilizer; and~~

12 ~~(6) Agricultural chemicals.~~

13 ~~(e)(1)(b)~~ When a direct pay permit holder purchases tangible personal  
 14 property or taxable services either from an Arkansas or out-of-state vendor  
 15 for use, storage, consumption, or distribution in Arkansas, the permit holder  
 16 shall accrue and remit the county sales or use tax, if any, of the county  
 17 where the property or services ~~is~~ are first used, stored, consumed, or  
 18 distributed.

19 ~~(2) When a direct pay permit holder purchases taxable services,~~  
 20 ~~the permit holder shall accrue and remit the sales tax, if any, of the county~~  
 21 ~~where the services are performed.~~

22  
 23 SECTION 51. Effective January 1, 2006, Arkansas Code § 26-74-612 is  
 24 amended to read as follows:

25 26-74-612. Maximum tax limitation.

26 (a)(1) Any county general sales or use tax levied pursuant to this  
 27 subchapter shall be levied and collected only on the first two thousand five  
 28 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price  
 29 ~~from a single transaction~~ on the sale of motor vehicles, aircraft,  
 30 watercraft, modular homes, manufactured homes, or mobile homes, and vendors  
 31 shall be responsible for collecting and remitting the tax only on the first  
 32 two thousand five hundred dollars (\$2,500) of gross receipts, gross proceeds,  
 33 or sales price ~~from a single transaction~~ on the sale of motor vehicles,  
 34 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

35 (2) Vendors collecting, reporting, and remitting the tax shall  
 36 show the tax as a separate entry on the tax report form filed with the

1 Director of the Department of Finance and Administration.

2 ~~(b)(1) The term "single transaction" as used in this section and §§~~  
 3 ~~26-75-207—26-75-212 shall be defined by ordinance of the eligible county~~  
 4 ~~levying the tax.~~

5 ~~(2)(A) Every county ordinance adopted after January 1, 1998,~~  
 6 ~~that calls for an election to levy a local sales and use tax authorized by~~  
 7 ~~this subchapter or any other provision of the Arkansas Code shall contain a~~  
 8 ~~definition of the term "single transaction", which definition shall amend all~~  
 9 ~~other previous ordinances defining "single transaction".~~

10 ~~(B) Provided, however, any eligible county that adopts an~~  
 11 ~~ordinance which calls for an election to levy a local sales and use tax~~  
 12 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~  
 13 ~~comply with this provision by adopting a definition of the term "single~~  
 14 ~~transaction" prior to the commencement of the collection of the local sales~~  
 15 ~~and use tax.~~

16 ~~(3) The most recent definition of "single transaction" adopted~~  
 17 ~~prior to January 1, 1998, shall apply to and amend all previous local sales~~  
 18 ~~and use tax ordinances.~~

19 ~~(4) It is the intent of this provision to require each eligible~~  
 20 ~~county that levies a local sales and use tax to adopt a uniform definition of~~  
 21 ~~the term "single transaction" for all taxes levied by the eligible county.~~

22 ~~(5) This provision is limited to ordinances levying local sales~~  
 23 ~~and use taxes collected by the Department of Finance and Administration.~~

24  
 25 SECTION 52. Arkansas Code § 26-75-207(c), regarding the levying of a  
 26 tax, is amended as follows:

27 (c) The sales tax portion of any local sales and use tax adopted under  
 28 this subchapter shall be levied by the governing body on the receipts from  
 29 the sale at retail ~~within the city~~ of all items and services which are  
 30 subject to taxation under the Arkansas Gross Receipts Act, § 26-52-101 et  
 31 seq., and the Compensating Use Tax Act, § 26-53-101 et seq.

32  
 33 SECTION 53. Arkansas Code § 26-75-209(1)(D), regarding the effective  
 34 date of ordinance, is amended as follows:

35 (D)(i) The mayor of the city shall notify the director of  
 36 the rate change after publication of the proclamation has occurred and ninety

1 (90) days before the effective date of the tax.

2 (ii) If no election challenge is filed within ~~this~~  
3 ~~period~~ the thirty (30) day challenge period, the ordinance shall become  
4 effective on the first day of the first month of the calendar quarter after a  
5 minimum of sixty (60) days' notice by the director to sellers and subsequent  
6 ~~to~~ after the expiration of the full thirty-day period of challenge; ~~and.~~

7  
8 SECTION 54. Arkansas Code § 26-75-209(1), regarding the effective date  
9 of ordinance, is amended to add an additional subdivision to read as follows:

10 (E) The rate change shall become applicable on the first  
11 day of a quarter after one hundred twenty (120) days' notice by the director  
12 to sellers on purchases from printed catalogs in which the purchaser computed  
13 the tax based upon local tax rates published in the catalog; and

14  
15 SECTION 55. Arkansas Code § 26-75-211(b), regarding the effective date  
16 of a boundary change, is amended as follows:

17 (b)(1) If any such city in which a local sales and use tax has been  
18 imposed in the manner provided for in this subchapter shall thereafter change  
19 or alter its boundaries, the city clerk of the city shall forward to the  
20 director, at least ninety (90) days before the effective date, a certified  
21 copy of the ordinance adding or detaching territory from the city, which  
22 shall be accompanied by a map clearly showing the territory added thereto or  
23 detached therefrom.

24 (2) After receipt of the ordinance and map, the tax imposed  
25 under this subchapter shall be effective in the added territory or abolished  
26 in the detached territory on the first day of the first month of the calendar  
27 quarter following the expiration of ~~thirty (30) days from the date that the~~  
28 ~~annexation or detachment becomes effective~~ sixty (60) days notice by the  
29 director to sellers.

30  
31 SECTION 56. Arkansas Code § 26-75-212(a), regarding collection of tax,  
32 is amended as follows:

33 (a)(1)(A) In each city where a local sales and use tax has been  
34 imposed in the manner provided by this subchapter, every retailer shall add  
35 the tax imposed by the Arkansas Gross Receipts Act, § 26-52-101 et seq., and  
36 the Arkansas Compensating Tax Act, § 26-53-101 et seq., and the tax imposed

1 by this subchapter to his or her sale price, and when added, the combined tax  
2 shall:

3 ~~(A)(i)~~ Constitute a part of the price;

4 ~~(B)(ii)~~ Be a debt of the purchaser to the retailer until  
5 paid; and

6 ~~(C)(iii)~~ Be recoverable at law in the same manner as the  
7 purchase price.

8 (B) When the sale price in the city shall involve a  
9 fraction of a dollar, the two (2) combined taxes shall be added to the sale  
10 price ~~according to a schedule and bracket system formula established by the~~  
11 ~~director.~~

12 (C) A retailer shall be entitled to the same discount with  
13 respect to tax remitted under this subchapter as is authorized for the  
14 collection and remission of gross receipts taxes to the State of Arkansas as  
15 authorized in § 26-52-503.

16 (2)(A) Any fraction of one cent (1¢) of tax which is less than  
17 one-half of one cent (1/2 of 1¢) shall not be collected.

18 (B) Any fraction of one cent (1¢) of tax equal to one-half  
19 of one cent (1/2 of 1¢) or more shall be collected as a whole cent (1¢) of  
20 tax.

21 (3) In the event the General Assembly, or the electors of the  
22 state, shall either increase or decrease the rate of the state gross receipts  
23 tax, the combined rate of the state gross receipts tax and the local sales  
24 tax shall be the sum of the two (2) rates. ~~In this event, the director may~~  
25 ~~publish a schedule of the taxes due with reference to sales involving a~~  
26 ~~fraction of one dollar (\$1.00).~~

27  
28 SECTION 57. Arkansas Code § 26-75-214(b), regarding the collection of  
29 tax, is amended as follows:

30 (b) The director shall collect, in addition to the state gross  
31 receipts tax and compensating tax, an additional tax under the authority of  
32 this subchapter on the receipts from the sale at retail or on the sale price  
33 or lease or rental price on the storage, use, distribution, or other  
34 consumption of all taxable items ~~within the city which property is~~ and  
35 services subject to the Arkansas Gross Receipts Act, § 26-52-101 et seq. and  
36 Arkansas Compensating Tax Act, § 26-53-101 et seq.

1  
2 SECTION 58. Arkansas Code § 26-75-216 is amended as follows:

3 26-75-216. Applicability of tax.

4 (a)~~(1)~~ A city sales tax levied pursuant to the authority granted in  
5 this subchapter or in § 26-75-301 et seq. shall be applicable to sales of  
6 items and services sold by a business ~~located in a levying city to a resident~~  
7 ~~or nonresident of the levying city but shall not be applicable to motor~~  
8 ~~vehicles sold to nonresidents of the levying city; provided, however, the tax~~  
9 ~~shall not be applicable to the sale of items and services sold to a~~  
10 ~~nonresident of the levying city if the sale is made for delivery to an~~  
11 ~~address which is in a city or county that does not impose a city or county~~  
12 ~~sales tax, and the sale is of an item that is primarily sold through meter~~  
13 ~~and by route delivery, if such sale is documented by a sales invoice~~  
14 ~~indicating that the sale was made for delivery and that delivery was actually~~  
15 ~~made to the person at the place noted thereon located outside a city or~~  
16 ~~county in which a sales tax is levied and shall be administered in accordance~~  
17 with the Arkansas Gross Receipts Tax Act of 1941, § 26-52-101, et seq., and  
18 the Arkansas Compensating Tax Act of 1949, § 26-53-101.

19 ~~(2) When a motor vehicle is sold to a person who resides in~~  
20 ~~Arkansas but outside the city where the sale was made, and the city or county~~  
21 ~~of residence of the purchaser levies a sales and use tax, a use tax shall be~~  
22 ~~collected at the rate levied in the city or county of residence of the~~  
23 ~~purchaser and in that event the tax shall be transmitted to the city or~~  
24 ~~county of residence.~~

25 (b) ~~The tax shall not be applicable to the sale of the following~~  
26 ~~items, if the sale is made to a nonresident of the levying city and the sales~~  
27 ~~invoice indicates that the sale was made for delivery to, and delivery was~~  
28 ~~actually made to, an address which is located in a city or county that does~~  
29 ~~not impose a city or county sales tax:~~

30 ~~(1) Aviation fuel;~~

31 ~~(2) Distillate special fuel used for agricultural purposes;~~

32 ~~(3) Agricultural machinery, parts, repairs and supplies~~  
33 ~~therefor;~~

34 ~~(4) Water wells and water well supplies;~~

35 ~~(5) Agricultural feed, seed, and fertilizer; and~~

36 ~~(6) Agricultural chemicals.~~

1       ~~(e)(b)~~ When a direct pay permit holder purchases tangible personal  
 2 property or taxable services either from an Arkansas or out of state vendor  
 3 for use, storage, consumption or distribution in Arkansas, the permit holder  
 4 shall accrue and remit the city sales and use tax, if any, of the city where  
 5 the property or services ~~is~~ are first used, stored, consumed, or distributed.  
 6 ~~When a direct pay permit holder purchases taxable services, the permit holder~~  
 7 ~~shall accrue and remit the sales tax, if any, of the city where the services~~  
 8 ~~are performed.~~

9  
 10       SECTION 59. *Effective January 1, 2006, Arkansas Code § 26-75-222 is*  
 11 *amended as follows:*

12       26-75-222. Maximum tax limitation.

13       (a)~~(1)~~ Any municipal general sales or use tax levied pursuant to this  
 14 subchapter shall be levied and collected only on the first two thousand five  
 15 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price  
 16 from ~~each single transaction,~~ the sale of motor vehicles, aircraft,  
 17 watercraft, modular homes, manufactured homes, or mobile homes, and vendors  
 18 shall be responsible for collecting and remitting the tax only on the first  
 19 two thousand five hundred dollars (\$2,500) of gross receipts, gross proceeds,  
 20 or sales price from ~~each single transaction~~ the sale of motor vehicles,  
 21 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

22       ~~(2)(A)(b)(1)~~ Each vendor who is liable for one (1) or more city  
 23 sales or use taxes shall report a combined city sales tax and a combined city  
 24 use tax on his or her sales and use tax report.

25       ~~(B)(2)~~ The combined city sales tax is equal to the sum of  
 26 all sales taxes levied by a city under this subchapter or any other provision  
 27 of the Arkansas Code.

28       ~~(C)(3)~~ The combined city use tax is equal to the sum of  
 29 all use taxes levied by a city under this subchapter or any other provision  
 30 of the Arkansas Code.

31       ~~(3)(c)~~ This provision applies only to taxes collected by the  
 32 Director of the Department of Finance and Administration.

33       ~~(b)(1)(A)~~ ~~The term "single transaction", as used in this section and~~  
 34 ~~§§ 26-75-207—26-75-212, shall be defined by ordinance of the municipality~~  
 35 ~~levying the tax.~~

36       ~~(B)(i)~~ ~~Every city ordinance adopted after January 1, 1998,~~

1 ~~which calls for an election to levy a local sales and use tax authorized by~~  
2 ~~this subchapter or any other provision of the Arkansas Code shall contain a~~  
3 ~~definition of the term "single transaction" which definition shall amend all~~  
4 ~~other previous ordinances defining "single transaction".~~

5 ~~(ii) Provided, however, any city which adopts an~~  
6 ~~ordinance which calls for an election to levy a local sales and use tax~~  
7 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~  
8 ~~comply with this provision by adopting a definition of the term "single~~  
9 ~~transaction" prior to the commencement of the collection of the local sales~~  
10 ~~and use tax.~~

11 ~~(2) Effective January 1, 1998, the most recent definition of~~  
12 ~~"single transaction" adopted prior to January 1, 1998, shall apply to and~~  
13 ~~amend all previous local sales and use tax ordinances.~~

14 ~~(3) It is the intent of this provision to require each city~~  
15 ~~which levies a local sales and use tax to adopt a uniform definition of the~~  
16 ~~term "single transaction" for all taxes levied by the city or county.~~

17 ~~(4) This provision is limited to ordinances levying local sales~~  
18 ~~and use taxes collected by the Department of Finance and Administration.~~

19  
20 SECTION 60. Arkansas Code § 26-75-309(1)(D), regarding the effective  
21 date of ordinance, is amended as follows:

22 (D)(i) The mayor of the city shall notify the director  
23 after publication of the proclamation has occurred and ninety (90) days  
24 before the effective date of the tax.

25 (ii) If no election challenge is filed within this  
26 the thirty (30) day challenge period, the ordinance shall become effective on  
27 the first day of the first month of the calendar quarter after a minimum of  
28 sixty (60) days' notice by the director to sellers and subsequent to after  
29 the expiration of the full thirty-day period of challenge. ~~and~~

30  
31 SECTION 61. Arkansas Code § 26-75-309(1), regarding the effective date  
32 of ordinance, is amended to add an additional subdivision to read as follows:

33 (E) The rate change shall become applicable on the first  
34 day of a quarter after one hundred twenty (120) days' notice by the director  
35 to sellers on purchases from printed catalogs in which the purchaser computed  
36 the tax based upon local tax rates published in the catalog; and

1  
2 SECTION 62. Arkansas Code § 26-75-311(b), concerning effective date of  
3 boundary change, is amended as follows:

4 (b)(1) If any such city in which a local sales and use tax has been  
5 imposed in the manner provided for in this subchapter shall thereafter change  
6 or alter its boundaries, the city clerk of the city shall forward to the  
7 director, at least ninety (90) days before the effective date, a certified  
8 copy of the ordinance adding or detaching territory from the city, which  
9 shall be accompanied by a map clearly showing the territory added thereto or  
10 detached therefrom.

11 (2) After receipt of the ordinance and the map, the tax imposed  
12 under this subchapter shall be effective in the added territory or abolished  
13 in the detached territory on the first day of the first month of the calendar  
14 quarter following the expiration of thirty (30) days from the date that the  
15 annexation or detachment becomes effective or after a minimum of sixty (60)  
16 days' notice by the director to sellers, whichever expires last.

17  
18 SECTION 63. Arkansas Code § 26-75-312(a), concerning collection of  
19 tax, is amended to read as follows:

20 (a)(1) In each city in which a local sales and use tax has been  
21 imposed in the manner provided by this subchapter, every retailer shall add  
22 the tax imposed by the Arkansas Gross Receipts Act, § 26-52-101 et seq., and  
23 the Arkansas Compensating Tax Act, § 26-53-101 et seq., and the tax imposed  
24 by this subchapter to his or her sale price, and when added, the combined tax  
25 shall:

26 (A) Constitute a part of the price;

27 (B) Be a debt of the purchaser to the retailer until paid;

28 and

29 (C) Be recoverable at law in the same manner as the  
30 purchase price.

31 (2) When the sale price in the city shall involve a fraction of  
32 a dollar, the two (2) combined taxes shall be added to the sale price  
33 ~~according to a schedule and bracket system formula established by the~~  
34 ~~director.~~

35 (3) A retailer shall be entitled to the same discount with  
36 respect to tax remitted under this subchapter as is authorized for the

1 collection and remission of gross receipts taxes to the State of Arkansas as  
2 authorized in § 26-52-503.

3 ~~(2)(b)(1)~~ Any fraction of one cent (1¢) of tax which is less than one-  
4 half of one cent (1/2 of 1¢) shall not be collected.

5 (2) Any fraction of one cent (1¢) of tax equal to one-half  
6 of one cent (1/2 of 1¢) or more shall be collected as a whole cent (1¢) of  
7 tax.

8 ~~(3)(c)~~ In the event the General Assembly or the electors of the state  
9 shall either increase or decrease the rate of the state gross receipts tax,  
10 the combined rate of state tax and the local sales tax shall be the sum of  
11 the two (2) rates. ~~In this event, the director may publish a schedule of the~~  
12 ~~taxes due with reference to sales involving a fraction of one dollar (\$1.00).~~

13 ~~(b)~~ A city shall provide in its ordinance authorized by this  
14 subchapter for a rebate from the city for taxes collected pursuant to this  
15 subchapter in excess of the tax on the first two thousand five hundred  
16 dollars (\$2,500) of gross receipts, gross proceeds, or sales price from a  
17 single transaction.

18  
19 SECTION 64. Effective January 1, 2006, Arkansas Code Title 26, Chapter  
20 75, Subchapter 3 is amended to add an additional section to read as follows:

21 26-75-321. Rebate.

22 A city shall provide in its ordinance authorized by this subchapter for  
23 a rebate from the city for taxes collected under this subchapter in excess of  
24 the tax on the first two thousand five hundred dollars (\$2,500) of gross  
25 receipts, gross proceeds, or sales price on the sale of motor vehicles,  
26 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

27  
28 SECTION 65. Effective January 1, 2006, Arkansas Code § 26-75-319 is  
29 amended to read as follows:

30 26-75-319. Maximum tax limitation.

31 (a)(1) Any municipal general sales or use tax levied pursuant to this  
32 subchapter shall be levied and collected only on the first two thousand five  
33 hundred dollars (\$2,500) of gross receipts, gross proceeds, or sales price  
34 ~~from a single transaction~~ on the sale of motor vehicles, aircraft,  
35 watercraft, modular homes, manufactured homes, or mobile homes, and vendors  
36 shall be responsible for collecting and remitting the tax only on the first

1 two thousand five hundred dollars (\$2,500) of gross receipts, gross proceeds,  
2 or sales price ~~from a single transaction~~ on the sale of motor vehicles,  
3 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

4 (2)(A) Each vendor who is liable for one (1) or more municipal  
5 sales or use taxes shall report a combined city sales tax and a combined city  
6 use tax on his or her sales and use tax report.

7 (B) The combined city sales tax is equal to the sum of all  
8 sales taxes levied by a city under this subchapter or any other provision of  
9 the Arkansas Code.

10 (C) The combined city use tax is equal to the sum of all  
11 use taxes levied by a city under this subchapter or any other provision of  
12 the Arkansas Code.

13 (3) This provision applies only to taxes collected by the  
14 Director of the Department of Finance and Administration.

15 ~~(b)(1) The term "single transaction", as used in this section, shall~~  
16 ~~be defined by ordinance.~~

17 ~~(2)(A) Every city ordinance adopted after January 1, 1998, which~~  
18 ~~calls for an election to levy a local sales and use tax authorized by this~~  
19 ~~subchapter or any other provision of the Arkansas Code shall contain a~~  
20 ~~definition of the term "single transaction" which definition shall amend all~~  
21 ~~other previous ordinances defining "single transaction".~~

22 ~~(B) Provided, however, any city which adopts an ordinance~~  
23 ~~which calls for an election to levy a local sales and use tax authorized by~~  
24 ~~this subchapter or any other provision of the Arkansas Code may comply with~~  
25 ~~this provision by adopting a definition of the term "single transaction"~~  
26 ~~prior to the commencement of the collection of the local sales and use tax.~~

27 ~~(3) The most recent definition of "single transaction" adopted~~  
28 ~~prior to January 1, 1998, shall apply to and amend all previous local sales~~  
29 ~~and use tax ordinances.~~

30 ~~(4) It is the intent of this provision to require each city~~  
31 ~~which levies a local sales and use tax to adopt a uniform definition of the~~  
32 ~~term "single transaction" for all taxes levied by the city.~~

33 ~~(5) This provision is limited to ordinances levying local sales~~  
34 ~~and use taxes collected by the department.~~

35  
36 SECTION 66. Arkansas Code § 26-75-316(a), regarding a use tax, is

1 amended as follows:

2 (a) In every city in which the local sales and use tax has been  
3 adopted pursuant to the provisions of this subchapter, there is imposed an  
4 excise tax on the storage, use, distribution, or other consumption within the  
5 city of tangible personal property and taxable services purchased, leased, or  
6 rented from any retailer outside the state after the effective date of the  
7 sales and use tax for storage, use, distribution, or other consumption in the  
8 city at a rate of one-half of one percent (1/2 of 1%) or at the rate of one  
9 percent (1%) of the sale price of the property and services, or, in the case  
10 of leases or rentals, of the lease or rental price, the rate of the use tax  
11 to correspond to the rate of the sales tax portion of the tax.

12

13 SECTION 67. Arkansas Code § 26-75-404(d) and (e), concerning election  
14 procedures, are amended as follows:

15 (d)(1) Following the election, the mayor of the city or town shall  
16 issue a proclamation of the results of the election and the proclamation  
17 shall be published one (1) time in a newspaper having general circulation in  
18 the city or town.

19 (2)(A) If a majority of the electors voting on the issue vote  
20 against the levy of the tax, the tax shall not be levied and the question of  
21 the levy of a tax under this subchapter shall not again be submitted to the  
22 electors of the city or town for one (1) year.

23 (B) If a majority of the electors voting on the issue vote  
24 for the levy of the tax, the tax shall be levied and collected as provided  
25 for in this subchapter for the period prescribed in the ordinance.

26 (3)(A) A person desiring to challenge the results of the  
27 election shall file the challenge in the ~~chancery~~ circuit court of the county  
28 in which the city or town is located within thirty (30) days of the date of  
29 publication of the proclamation.

30 (B)(i)(a) The mayor of the city or town shall notify the  
31 director of the rate change after publication of the proclamation has  
32 occurred and ninety (90) days before the effective date of the tax.

33 (b) If no election challenge is filed within  
34 ~~this~~ the thirty (30) day challenge period, the ordinance shall become  
35 effective on the first day of the first month of the calendar quarter after a  
36 minimum of sixty (60) days' notice by the director to sellers and after the

1 expiration of the thirty-day period for challenge of the results of the  
2 election.

3 (c) In the case of purchases made from printed  
4 catalogs in which the purchaser computed the tax based upon local tax rates  
5 published in the catalog, the applicable date will be the first day of the  
6 quarter after a minimum of one hundred twenty (120) days' notice by the  
7 director to sellers.

8 (ii) In the event of an election contest, the tax  
9 shall be collected as prescribed in subdivision (d)(3)(B)(i) of this section.

10 (e)(1) If a majority of electors voting on the issue vote "FOR" the  
11 levy of the tax, a copy of the mayor's proclamation of the results of the  
12 election shall be transmitted to the Director of the Department of Finance  
13 and Administration of the State of Arkansas within ten (10) days after the  
14 election.

15 (2)(A) At the time of transmitting the proclamation, the clerk  
16 shall also send to the director a map of the city or town clearly showing the  
17 boundaries of the city or town.

18 (B)(i) If any such city or town shall thereafter change or  
19 alter its boundaries, the city or town clerk shall forward to the director  
20 ninety (90) days before the effective date of the boundary changes a  
21 certified copy of the ordinance adding or detaching territory from the city  
22 or town, and the ordinance shall be accompanied by a map clearly showing the  
23 territory added or detached.

24 (ii) After receipt of the ordinance and map, the tax  
25 imposed under this subchapter shall be effective in the added territory or  
26 abolished in the detached territory on the first day of the first month of  
27 the calendar quarter following the expiration of thirty (30) days from the  
28 date that the annexation or detachment becomes effective or after a minimum  
29 of sixty (60) days' notice by the director to sellers, whichever expires  
30 last.

31  
32 SECTION 68. Arkansas Code § 26-75-405(a), concerning items subject to  
33 tax, is amended as follows:

34 (a) When any city or town levies a sales and use tax pursuant to the  
35 authority granted in this subchapter, tax shall be levied upon the same sales  
36 and the same items and services as are subject to taxation under the Arkansas

1 Gross Receipts Act, § 26-52-101 et seq., and the Arkansas Compensating Tax  
2 Act, § 26-53-101 et seq.

3  
4 SECTION 69. Arkansas Code § 26-75-502(a), concerning authority to  
5 levy, is amended as follows:

6 (a) Any city of the first or second class having a population of not  
7 more than forty thousand (40,000) persons according to the most recent  
8 federal census and which has been or may hereafter be designated as a model  
9 city under the Demonstration Cities and Metropolitan Development Act of 1966  
10 may, by an ordinance passed by its governing body, levy for the benefit of  
11 the city a tax of not to exceed one percent (1%) on gross proceeds or gross  
12 receipts derived from sales ~~within the city~~, as such sales and gross proceeds  
13 or gross receipts are defined in the Arkansas Gross Receipts Act, § 26-52-101  
14 *et seq.*, and the Arkansas Compensating Tax Act, § 26-53-101 et seq.

15  
16 SECTION 70. Arkansas Code § 26-75-503(d), concerning election  
17 requirements, is amended as follows:

18 (d)(1) If the majority vote "FOR" the ordinance, it shall be deemed to  
19 be operative on the date that the governing body of the city makes its  
20 official canvass of the election returns.

21 (2) However, no such tax shall be collected under any such  
22 ordinance until the first day of a ~~month~~ calendar quarter ~~occurring at least~~  
23 ~~thirty (30) days after the operative date~~ after a minimum of sixty (60) days'  
24 notice by the director to sellers.

25 (3) For purchases made from printed catalogs in which the  
26 purchaser computed the tax based upon local tax rates published in the  
27 catalog, the tax shall be collected on the first day of the quarter after a  
28 minimum of one hundred twenty (120) days' notice by the director to sellers.

29  
30 SECTION 71. *Effective January 1, 2006*, Arkansas Code § 26-81-104(a),  
31 regarding the amount of tax and period of tax, is amended as follows:

32 (a)(1) Any tax levied pursuant to the authority of this chapter shall  
33 be a tax equal to one percent (1%) on the sales price on items of personal  
34 property and services sold or to be used in the levying county, to the extent  
35 of and subject to the exemptions with respect to the gross receipts tax and  
36 compensating use tax as set forth in § 26-52-101 et seq. and § 26-53-101 et

1 seq., respectively.

2 (2)(A) Any tax levied pursuant to this chapter shall be levied  
3 and collected only ~~to a maximum tax of twenty five dollars (\$25.00) on each~~  
4 ~~single transaction,~~ on the first two thousand five hundred dollars (\$2,500)  
5 of gross receipts, gross proceeds, or sales price from the sale of motor  
6 vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile  
7 homes, and vendors shall be responsible for collecting and remitting the tax  
8 only ~~to the maximum of twenty five dollars (\$25.00) for each single~~  
9 ~~transaction,~~ on the first two thousand five hundred dollars (\$2,500) of gross  
10 receipts, gross proceeds, or sales price from the sale of motor vehicles,  
11 aircraft, watercraft, modular homes, manufactured homes, or mobile homes.

12 (B) Vendors collecting, reporting, and remitting the  
13 county sales or use taxes shall show county taxes as a separate entry on the  
14 tax report form.

15 ~~(3)(A) The term "single transaction", as used in this~~  
16 ~~subsection, shall be defined by ordinance of the county levying the tax.~~

17 ~~(B)(i) Every county ordinance adopted after January 1,~~  
18 ~~1998, which calls for an election to levy a local sales and use tax~~  
19 ~~authorized by this subchapter or any other provision of the Arkansas Code~~  
20 ~~shall contain a definition of the term "single transaction" which definition~~  
21 ~~shall amend all other previous ordinances defining "single transaction".~~

22 ~~(ii) Provided, however, any county which adopts an~~  
23 ~~ordinance which calls for an election to levy a local sales and use tax~~  
24 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~  
25 ~~comply with this provision by adopting a definition of the term "single~~  
26 ~~transaction" prior to the commencement of the collection of the local sales~~  
27 ~~and use tax.~~

28 ~~(C) Effective January 1, 1998, the most recent definition~~  
29 ~~of "single transaction" adopted prior to January 1, 1998, shall apply to and~~  
30 ~~amend all previous local sales and use tax ordinances.~~

31 ~~(D) It is the intent of this provision to require each~~  
32 ~~county which levies a local sales and use tax to adopt a uniform definition~~  
33 ~~of the term "single transaction" for all taxes levied by the county.~~

34 ~~(E) This provision is limited to ordinances levying local~~  
35 ~~sales and use taxes collected by the Department of Finance and~~  
36 ~~Administration.~~

1  
2 SECTION 72. Arkansas Code § 26-81-106(a), regarding election results,  
3 challenge, and effective date, is amended as follows:

4 (a)(1) Upon certification of the election results, the county judge  
5 shall issue a proclamation declaring the results of the election and cause  
6 the proclamation to be published one (1) time in a newspaper having general  
7 circulation within the county.

8 (2) The county judge shall notify the director of the results  
9 after publication of the proclamation has occurred and ninety (90) days  
10 before the effective date of the tax.

11 ~~(2)(3)~~ If no election challenge is timely filed, there shall be  
12 levied, effective on the first day of the first ~~calendar~~ month of the  
13 calendar quarter ~~subsequent to~~ after the expiration of the thirty-day  
14 challenge period, and after a minimum of sixty (60) days' notice by the  
15 director to sellers, a one percent (1%) tax on the gross receipts from the  
16 sale at retail within the county on all items which are subject to the  
17 Arkansas Gross Receipts Act of 1941, § 26-52-101 et seq., and an excise tax  
18 on the storage, use, or consumption within the county of tangible personal  
19 property and services purchased, leased or rented from any retailer outside  
20 the state for storage, use, or other consumption in the county, at a rate of  
21 one percent (1%) of the sale price of the property or services or, in the  
22 case of leases or rentals, of the lease or rental price, the rate of the use  
23 tax to correspond to the rate of the sales tax portion of the tax. The use  
24 tax portion of the local sales and use tax shall be collected according to  
25 the terms of the Arkansas Compensating Tax Act, § 26-53-101 et seq.

26  
27 SECTION 73. *Effective January 1, 2006, Arkansas Code § 26-81-*  
28 *107(b)(1), regarding the record of collections and deposit with State*  
29 *Treasurer, is amended as follows:*

30 (1) Make remittances to the county for rebates made by the  
31 county for taxes, if any, in excess of amounts specified by the particular  
32 county ordinances paid by a taxpayer ~~on a single transaction;~~

33  
34 SECTION 74. *Effective January 1, 2006, Arkansas Code § 26-81-*  
35 *107(c)(2), regarding the record of collections and deposit with State*  
36 *Treasurer, is amended as follows:*

1           (2) The State Treasurer shall transmit monthly to the county  
2 treasurer and to the municipal treasurer of each municipality located in a  
3 county levying the tax authorized in this chapter their per capita share of  
4 the moneys received by the State Treasurer from the tax levied by such county  
5 and credited to the account of the county in the Local Sales and Use Tax  
6 Trust Fund. The county treasurer of any county which has levied a sales and  
7 use tax pursuant to this chapter and which rebates taxes paid ~~on a single~~  
8 ~~transaction~~ in excess of a specified amount shall monthly certify to the  
9 State Treasurer the total amount of rebates paid since the preceding  
10 certification, and the State Treasurer shall remit that amount to the county  
11 treasurer from the Local Sales and Use Tax Trust Fund.

12  
13           SECTION 75. *Effective January 1, 2006, Arkansas Code § 26-81-110 is*  
14 amended as follows:

15           26-81-110. Combined tax reports.

16           ~~(a)(1)(A) Every city or county ordinance adopted after January 1,~~  
17 ~~1998, which calls for an election to levy a local sales and use tax~~  
18 ~~authorized by this subchapter or any other provision of the Arkansas Code~~  
19 ~~shall contain a definition of the term "single transaction" which definition~~  
20 ~~shall amend all other previous ordinances defining "single transaction".~~

21           ~~(B) Provided, however, any county which adopts an~~  
22 ~~ordinance which calls for an election to levy a local sales and use tax~~  
23 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~  
24 ~~comply with this provision by adopting a definition of the term "single~~  
25 ~~transaction" prior to the commencement of the collection of the local sales~~  
26 ~~and use tax.~~

27           ~~(2) Effective January 1, 1998, the most recent definition of~~  
28 ~~"single transaction" adopted prior to January 1, 1998, shall apply to and~~  
29 ~~amend all previous local sales and use tax ordinances.~~

30           ~~(3) It is the intent of this provision to require each city or~~  
31 ~~county which levies a local sales and use tax to adopt a uniform definition~~  
32 ~~of the term "single transaction" for all taxes levied by the city or county.~~

33           ~~(4) This provision is limited to ordinances levying local sales~~  
34 ~~and use taxes collected by the Department of Finance and Administration.~~

35           ~~(b)(1)(a)(1)~~ Each vendor who is liable for one (1) or more city sales  
36 or use taxes shall report a combined city sales tax and a combined city use

1 tax on his or her sales and use tax report.

2 (2)(A) The combined city sales tax is equal to the sum of all  
3 sales taxes levied by a city under this subchapter or any other provision of  
4 the Arkansas Code.

5 (B) The combined city use tax is equal to the sum of all  
6 use taxes levied by a city under this subchapter or any other provision of  
7 the Arkansas Code.

8 (3) This provision applies only to taxes collected by the  
9 Director of the Department of Finance and Administration.

10 (4) This provision does not apply to tax collected pursuant to §  
11 26-75-502, et seq. which shall continue to be reported separately.

12 ~~(e)(b)(1)~~ Each vendor who is liable for one (1) or more county sales  
13 or use taxes shall report a combined county sales tax and a combined county  
14 use tax on his or her sales and use tax report.

15 (2) The combined county sales tax is equal to the sum of all  
16 sales taxes levied by a county under this subchapter or any other provision  
17 of the Arkansas Code.

18 (3) The combined county use tax is equal to the sum of all use  
19 taxes levied by a county under this subchapter or any other provision of the  
20 Arkansas Code.

21 (4) This provision applies only to taxes collected by the  
22 director.

23

24 SECTION 76. Arkansas Code § 14-164-303(a)(12), pertaining to defined  
25 terms for local bonds, is amended to read as follows:

26 (12) "Local sales and use tax", as used in §§ 14-164-327 - 14-  
27 164-339, means a tax on the receipts from sales at retail within such  
28 municipality or county of all items and services which are subject to  
29 taxation under the Arkansas Gross Receipts Tax Act of 1941, as amended, § 26-  
30 52-101 et seq., and a tax on the receipts for storing, using, or consuming  
31 tangible personal property or taxable services under the Arkansas  
32 Compensating Tax Act of 1949, as amended, § 26-53-101 et seq.;

33

34 SECTION 77. *Effective January 1, 2006*, Arkansas Code § 14-164-303(b),  
35 pertaining to single transactions, is repealed.

36 ~~(b)(1) As used in this subchapter, "single transaction" shall be~~

1 ~~defined by ordinance of the county or municipality levying the tax.~~

2 ~~(2)(A) Every city or county ordinance adopted after January 1,~~  
3 ~~1998, which calls for an election to levy a local sales and use tax~~  
4 ~~authorized by this subchapter or any other provision of the Arkansas Code~~  
5 ~~shall contain a definition of the term "single transaction", which definition~~  
6 ~~shall amend all other previous ordinances defining "single transaction".~~

7 ~~(B) Provided, however, any city or county which adopts an~~  
8 ~~ordinance which calls for an election to levy a local sales and use tax~~  
9 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~  
10 ~~comply with this provision by adopting a definition of the term "single~~  
11 ~~transaction" prior to the commencement of the collection of the local sales~~  
12 ~~and use tax.~~

13 ~~(3) Effective January 1, 1998, the most recent definition of~~  
14 ~~"single transaction" adopted prior to January 1, 1998, shall apply to and~~  
15 ~~amend all previous local sales and use tax ordinances.~~

16 ~~(4) It is the intent of this provision to require each city or~~  
17 ~~county which levies a local sales and use tax to adopt a uniform definition~~  
18 ~~of the term "single transaction" for all taxes levied by the city or county.~~

19 ~~(5) This provision is limited to ordinances levying local sales~~  
20 ~~and use taxes collected by the Department of Finance and Administration.~~

21  
22 SECTION 78. Arkansas Code § 14-164-329(a), pertaining to local sales  
23 and use tax elections, is amended to read as follows:

24 (a) The levy of such tax shall not be effective until after the  
25 election has been held and the issuance of bonds has been approved by the  
26 voters and the director has been given ninety (90) days notice.

27  
28 SECTION 79. Arkansas Code § 14-164-329(b)(1), pertaining to local  
29 sales and use tax elections, is amended to read as follows:

30 (1) If no election challenge is filed within thirty (30) days of  
31 the date of publication of the proclamation of the results of the election,  
32 the tax shall, unless delayed as provided in subdivision (b)(3) of this  
33 section, become effective on the first day of the first month of the calendar  
34 month quarter ~~subsequent to~~ after the expiration of the thirty-day period for  
35 challenge and after a minimum of sixty (60) days' notice has been provided by  
36 the director to sellers.

1  
2 SECTION 80. Arkansas Code § 14-164-329(b)(3)(C), pertaining to local  
3 sales and use tax elections, is amended to read as follows:

4 (C) The delayed effective date shall in any event be the  
5 first day of a the first month of the calendar ~~month~~ quarter.

6  
7 SECTION 81. Arkansas Code § 14-164-329(c)(2), pertaining to local  
8 sales and use tax elections, is amended to read as follows:

9 (2) In order to provide for the accomplishment of the  
10 administrative duties of the director and to protect the owners of the bonds,  
11 the tax shall be abolished on the first day of the first month of the  
12 calendar ~~month~~ quarter ~~subsequent to~~ after the expiration of ~~thirty (30)~~  
13 ninety (90) days from the date there is filed with the director a written  
14 statement signed by the chief executive officer of the municipality or county  
15 levying the tax and by the trustee for the bondholders, if a trustee is  
16 serving in such capacity, identifying the tax and the bonds, ~~wherein~~ in which  
17 either:

18 (A) The trustee certifies that the trustee has or will  
19 have sufficient funds set aside to pay the principal of and interest on the  
20 bonds when due at maturity or at redemption prior to maturity and the  
21 municipality or county levying the tax certifies that the tax is not pledged  
22 to any other bonds of such municipality or county; or

23 (B) The municipality or county levying the tax certifies  
24 that there are no longer any bonds outstanding payable from tax collections.  
25

26 SECTION 82. Arkansas Code § 14-164-331, pertaining to municipal  
27 boundaries for local sales and use taxes, is amended to read as follows:

28 (a) If a municipality in which a local sales and use tax has been  
29 imposed in the manner provided for in this subchapter thereafter changes or  
30 alters its boundaries, the clerk of the municipality shall ninety (90) days  
31 before the effective date forward to the director a certified copy of the  
32 ordinance annexing or detaching territory from the municipality and a map  
33 clearly showing the territory annexed or detached.

34 (b) After the receipt of the ordinance and map, any tax imposed under  
35 this subchapter shall be effective in the added territory or abolished in the  
36 detached territory on the first day of the first month of the calendar ~~month~~

1 quarter following the expiration of thirty (30) days from the date that the  
2 annexation or detachment becomes effective and after a minimum of sixty (60)  
3 days' notice by the director to sellers.

4  
5 SECTION 83. Arkansas Code § 14-164-333(b)(1)(B), pertaining to local  
6 sales and use taxes for capital improvement bonds, is amended to read as  
7 follows:

8 (B) ~~When the sale price in the municipality or county~~  
9 ~~involves a fraction of a dollar, the two combined taxes shall be added to the~~  
10 ~~sales price according to a schedule and bracket system formula established by~~  
11 ~~the director. However, a~~ A retailer shall be entitled to the same discount  
12 with respect to tax remitted under this subchapter as is authorized for the  
13 collection and remission of gross receipts taxes to the state as authorized  
14 in § 26-52-503.

15  
16 SECTION 84. Arkansas Code § 14-164-333(c), pertaining to local sales  
17 and use taxes for capital improvement bonds, is amended to read as follows:

18 (c) In the event the General Assembly, or the electors of the state,  
19 shall either increase or decrease the rate of the state gross receipts tax,  
20 the combined rate of the state gross receipts tax and the local sales tax  
21 shall be the sum of the two (2) rates. ~~In such event, the director may~~  
22 ~~publish a schedule of taxes due with reference to sales involving a fraction~~  
23 ~~of one dollar (\$1.00).~~

24  
25 SECTION 85. *Effective January 1, 2006*, Arkansas Code § 14-164-334(a),  
26 pertaining to local sales and use taxes for capital improvement bonds, is  
27 amended to read as follows:

28 (a) Any sales and use tax levied pursuant to this subchapter shall be  
29 levied and collected only on the first two thousand five hundred dollars  
30 (\$2,500) of gross receipts, gross proceeds, or sales price ~~from a single~~  
31 transaction on the sale of motor vehicles, aircraft, watercraft, modular  
32 homes, manufactured homes, or mobile homes.

33  
34 SECTION 86. *Effective January 1, 2006*, Arkansas Code § 14-164-  
35 334(b)(1), pertaining to local sales and use taxes for capital improvement  
36 bonds, is amended to read as follows:

1 (b)(1) For any taxpayer not subject to the levy of a use tax on  
 2 taxable services or tangible personal property brought into the State of  
 3 Arkansas for storage until such property is subsequently initially used in  
 4 the State of Arkansas, the use tax portion of the local sales and use tax  
 5 authorized by this subchapter shall be computed on each purchase of the  
 6 property by the taxpayer as if all such property was subject upon purchase to  
 7 such use tax ~~up to a maximum of twenty five dollars (\$25.00) per single~~  
 8 ~~transaction~~ but only on the first two thousand five hundred dollars (\$2,500)  
 9 of gross receipts, gross proceeds, or sales price on the sale of motor  
 10 vehicles, aircraft, watercraft, modular homes, manufactured homes, or mobile  
 11 homes.

12  
 13 SECTION 87. *Effective January 1, 2006, Arkansas Code § 14-164-337(g),*  
 14 pertaining to single transactions, is repealed.

15 ~~(g)(1)(A) Every city or county ordinance adopted after January 1, 1998,~~  
 16 ~~which calls for an election to levy a local sales and use tax authorized by~~  
 17 ~~this subchapter or any other provision of the Arkansas Code shall contain a~~  
 18 ~~definition of the term "single transaction", which definition shall amend all~~  
 19 ~~other previous ordinances defining "single transaction".~~

20 ~~(B) Provided, however, any city or county which adopts an~~  
 21 ~~ordinance which calls for an election to levy a local sales and use tax~~  
 22 ~~authorized by this subchapter or any other provision of the Arkansas Code may~~  
 23 ~~comply with this provision by adopting a definition of the term "single~~  
 24 ~~transaction" prior to the commencement of the collection of the local sales~~  
 25 ~~and use tax.~~

26 ~~(2) Effective January 1, 1998, the most recent definition of~~  
 27 ~~"single transaction" adopted prior to January 1, 1998, shall apply to and~~  
 28 ~~amend all previous local sales and use tax ordinances.~~

29 ~~(3) It is the intent of this provision to require each city or~~  
 30 ~~county which levies a local sales and use tax to adopt a uniform definition~~  
 31 ~~of the term "single transaction" for all taxes levied by the city or county.~~

32 ~~(4) This provision is limited to ordinances levying local sales~~  
 33 ~~and use taxes collected by the Department of Finance and Administration.~~

34  
 35 SECTION 88. Effective date. It is found and determined by the Eighty-  
 36 fourth General Assembly that the Streamlined Sales Tax Agreement is necessary

1 in order to stop the loss of sales tax revenue due to the rapid growth of  
2 internet sales, to level the playing field between local businesses and out-  
3 of-state businesses, and to negate the undue burden on interstate commerce;  
4 and that this act is necessary in order for Arkansas to be in compliance with  
5 the Streamlined Sales Tax Agreement. Under the Streamlined Sales Tax  
6 Agreement, when at least ten (10) states comprising at least twenty percent  
7 (20%) of the total population, as determined by the 2000 Federal census, of  
8 all states imposing a state sales tax have petitioned for membership and have  
9 been found to be in compliance with the requirements of the agreement, the  
10 agreement will become effective unless a specific effective date is otherwise  
11 given. Therefore, the provisions of this act shall become effective either  
12 on the effective date specified in that section or, if no effective date is  
13 listed in the section, then on the first day of the first quarter following  
14 the effective date of the Streamlined Sales Tax Agreement.

15  
16 /s/ Hill, et al  
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