

1 State of Arkansas
2 84th General Assembly
3 First Extraordinary Session, 2003
4

Call Item 17

A Bill

HOUSE BILL 1054

5 By: Representative Sumpter
6
7

For An Act To Be Entitled

9 AN ACT TO INCREASE THE STATE SALES AND USE TAX
10 RATE BY ONE PERCENT (1%); TO CREATE THE EDUCATION
11 ADEQUACY FUND; TO AMEND THE EDUCATIONAL
12 EXCELLENCE TRUST FUND; AND FOR OTHER PURPOSES.
13

Subtitle

15 TO INCREASE THE STATE SALES AND USE TAX
16 RATE BY ONE PERCENT (1%).
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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21 SECTION 1. Arkansas Code § 26-52-302, pertaining to additional gross
22 receipts tax, is amended to add a new subsection to read as follows:

23 (d)(1) Beginning June 1, 2003, there is levied an additional excise
24 tax of one percent (1%) upon all taxable sales of property and services
25 subject to the tax levied by the Arkansas Gross Receipts Act of 1941, as
26 amended, § 26-52-101 et seq.

27 (2) The tax shall be collected, reported, and paid in the same
28 manner and at the same time as is prescribed by the Arkansas Gross Receipts
29 Act of 1941, as amended, § 26-52-101 et seq., for the collection, reporting,
30 and payment of Arkansas gross receipts taxes.

31 (3)(A) Twelve and one-half percent (12 1/2%) of the tax,
32 penalty, and interest collected under this subsection shall be credited to
33 the General Revenue Fund Account of the State Apportionment Fund, there to be
34 distributed with the other gross general revenue collections.

35 (B) The remaining eighty-seven and one-half percent (87
36 1/2%) of the tax, penalty, and interest collected under this subsection shall



1 be credited to the Education Adequacy Fund.

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3 SECTION 2. Arkansas Code § 26-53-107, pertaining to additional use
4 taxes, is amended to add a new subsection to read as follows:

5 (d)(1) Beginning June 1, 2003, there is levied an additional excise
6 tax of one percent (1%) upon all tangible personal property subject to the
7 tax levied by the Arkansas Compensating Tax Act of 1949, as amended, § 26-53-
8 101 et seq.

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

13 (3)(A) Twelve and one-half percent (12 1/2%) of the tax,
14 penalty, and interest collected under this subsection shall be credited to
15 the General Revenue Fund Account of the State Apportionment Fund, there to be
16 distributed with the other gross general revenue collections.

17 (B) The remaining eighty-seven and one-half percent (87
18 1/2%) of the tax, penalty, and interest collected under this subsection shall
19 be credited to the Education Adequacy Fund.

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21 SECTION 3. Education Adequacy Fund.

22 (a) There is created on the books of the Treasurer of State, Auditor
23 of State, and Chief Fiscal Officer of the State a special revenue fund to be
24 known as the "Education Adequacy Fund."

25 (b)(1) All moneys collected under §§ 26-52-302(d) and 26-53-107(d)
26 shall be deposited into the State Treasury to the credit of the fund as
27 special revenues.

28 (2) The fund shall also consist of any other revenues as may be
29 authorized by law.

30 (c) The fund shall be used for the purpose of funding public
31 education, grades kindergarten through twelve (K-12), as determined by the
32 General Assembly by law.

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34 SECTION 4. Arkansas Code § 6-5-301(a)(2), regarding the creation and
35 funding of the Educational Excellence Trust Fund, is amended to read as
36 follows:

1 (2) For each of the State’s fiscal years, the Chief Fiscal
2 Officer of the State shall determine as an annual allocation for this fund an
3 amount based on the total ~~net general revenues as enumerated in § 19-6-201(1)~~
4 ~~and (2) state sales and use tax levied under §§ 26-52-301, 26-52-302(a) and~~
5 ~~(b), 26-53-106, 26-53-107(a) and (b),~~ which were collected in the immediate
6 past year, times a factor of 0.1414.

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8 SECTION 5. EMERGENCY CLAUSE. It is found and determined by the
9 General Assembly of the State of Arkansas that revenue available for the
10 support of necessary state services has declined during the last twelve (12)
11 months as a result of the nationwide economic slowdown; that without
12 additional revenue, some state services will be reduced or eliminated; that
13 some Arkansans will suffer as a result of service reductions or cuts; that
14 additional revenue is necessary to fund changes in public education under the
15 Arkansas Supreme Court’s decision in the Lakeview case and the adequacy study
16 that has been commissioned by the General Assembly; and that this act is
17 immediately necessary because it will provide the necessary revenue to avoid
18 state service reductions or cuts and to fund necessary changes in public
19 education, grades kindergarten through twelve (K-12). Therefore, an
20 emergency is declared to exist and this act being necessary for the
21 preservation of the public peace, health, and safety shall become effective
22 on June 1, 2003.

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