

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 86th General Assembly
3 Regular Session, 2007
4

As Engrossed: H2/14/07

A Bill

HOUSE BILL 1420

5 By: Representatives Maxwell, Anderson, Sullivan, Thyer, Sample, Medley, Abernathy, Adcock, Allen,
6 T. Baker, Berry, Blount, T. Bradford, Breedlove, E. Brown, J. Brown, Burkes, Cash, Cheatham,
7 Chesterfield, Cook, Cooper, Cornwell, L. Cowling, Davenport, Davis, Dickinson, S. Dobbins, Dunn, D.
8 Evans, L. Evans, Everett, Flowers, Garner, Gaskill, George, Glidewell, R. Green, Greenberg, Hall,
9 Hardwick, Hardy, Harris, Hawkins, House, Hoyt, D. Hutchinson, Hyde, Jeffrey, Kenney, Key, Kidd,
10 King, Lamoureux, Lovell, Lowery, Maloch, M. Martin, Moore, Norton, Overbey, Pace, Patterson,
11 Pennartz, Petrus, Pickett, Pierce, Powers, S. Prater, Pyle, Ragland, Reep, Reynolds, J. Roebuck, Rogers,
12 Rosenbaum, Saunders, Shelby, Stewart, Sumpter, Wagner, Walters, Wells, Wills, Wood, Woods, Wyatt
13 By: Senator Horn
14
15

For An Act To Be Entitled

17 AN ACT TO REDUCE THE SALES AND USE TAX RATE ON
18 NATURAL GAS AND ELECTRICITY USED OR CONSUMED IN
19 MANUFACTURING IN THIS STATE; AND FOR OTHER
20 PURPOSES.
21

Subtitle

23 TO REDUCE THE SALES AND USE TAX RATE ON
24 NATURAL GAS AND ELECTRICITY USED OR
25 CONSUMED IN MANUFACTURING IN THIS STATE.
26
27

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

30 "SECTION 1. Arkansas Code Title 26, Chapter 52, Subchapter 3 is
31 amended to add an additional section to read as follows:

32 26-52-319. Natural gas and electricity used by manufacturers.

33 (a)(1) Beginning July 1, 2007, in lieu of the gross receipts or gross
34 proceeds tax levied in §§ 26-52-301 and 26-52-302(a), (b), (c), and (d),
35 there is levied an excise tax on the gross receipts or gross proceeds derived
36 from the sale of natural gas and electricity to a manufacturer for use



1 directly in the actual manufacturing process at the rate of four and three-
2 eighths percent (4.375%).

3 (2) Beginning July 1, 2008, the tax rate levied in subdivision
4 (a)(1) of this section shall be imposed at the rate of three and seven-eights
5 percent (3.875%).

6 (3) The taxes levied in this subsection (a) shall be distributed
7 as follows:

8 (A) Seventy-six and six-tenths percent (76.6%) of the tax,
9 interest, penalties, and costs received by the Director of the Department of
10 Finance and Administration shall be deposited as general revenues;

11 (B) Eight and one-half percent (8.5%) of the tax,
12 interest, penalties, and costs received by the director shall be deposited
13 into the Property Tax Relief Trust Fund; and

14 (C) Fourteen and nine-tenths percent (14.9%) of the tax,
15 interest, penalties, and costs received by the director shall be deposited
16 into the Educational Adequacy Fund.

17 (4)(A) The excise tax levied in this section applies only to
18 natural gas and electricity sold for use directly in the actual manufacturing
19 process.

20 (B) Natural gas and electricity sold for any other purpose
21 shall be subject to the full gross receipts or gross proceeds tax levied
22 under §§ 26-52-301 and 26-52-302(a), (b), (c), and (d).

23 (5) The excise tax levied in this section shall be collected,
24 reported, and paid in the same manner and at the same time as is prescribed
25 by law for the collection, reporting, and payment of all other Arkansas gross
26 receipts taxes.

27 (b) As used in this section, "manufacturer" means a manufacturer
28 classified within sectors 31 through 33 of the North American Industry
29 Classification System, as in effect on January 1, 2007.

30 (c) Natural gas and electricity subject to the reduced tax rate levied
31 in this section shall be separately metered from natural gas and electricity
32 used for any other purpose by the manufacturer, or otherwise established in
33 accordance with the rules issued under subsection (e) of this section.

34 (d) Prior to the sale of natural gas or electricity at the reduced
35 excise tax rate levied in this section, the director may require any seller
36 of natural gas or electricity to obtain a certificate from the consumer, in

1 the form prescribed by the director, certifying that the manufacturer is
2 eligible to purchase natural gas and electricity at the reduced excise tax
3 rate.

4 (e) The director shall have and be invested with full power and
5 authority to promulgate rules for the proper administration of this section.

6 (f) The gross receipts or gross proceeds derived from the sale of
7 natural gas and electricity to a manufacturer shall continue to be subject
8 to:

9 (1) The excise tax levied under the Arkansas Constitution,
10 Amendment 75, § 2; and

11 (2) All municipal and county gross receipts taxes.

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13 SECTION 2. Arkansas Code Title 26, Chapter 53, Subchapter 1 is amended
14 to add an additional section to read as follows:

15 26-53-148. Natural gas and electricity used by manufacturers.

16 (a)(1) Beginning July 1, 2007, in lieu of the tax levied in §§ 26-53-
17 106 and 26-53-107 (a), (b), (c), and (d), there is levied an excise tax on
18 the sales price of natural gas and electricity purchased by a manufacturer
19 for use directly in the actual manufacturing process at the rate of four and
20 three-eighths percent (4.375%).

21 (2) Beginning July 1, 2008, the tax rate levied in subdivision
22 (a)(1) of this section shall be imposed at the rate of three and seven-eighths
23 percent (3.875%).

24 (3) The taxes levied in subsection (a) of this section shall be
25 distributed as follows:

26 (A) Seventy-six and six-tenths percent (76.6%) of the tax,
27 interest, penalties, and costs received by the Director of the Department of
28 Finance and Administration shall be deposited as general revenues;

29 (B) Eight and one-half percent (8.5%) of the tax,
30 interest, penalties, and costs received by the director shall be deposited
31 into the Property Tax Relief Trust Fund; and

32 (C) Fourteen and nine-tenths percent (14.9%) of the tax,
33 interest, penalties, and costs received by the director shall be deposited
34 into the Educational Adequacy Fund.

35 (4)(A) The excise tax levied in this section applies only to
36 natural gas and electricity purchased for use directly in the actual

1 manufacturing process.

2 (B) Natural gas and electricity purchased for any other
3 purpose shall be subject to the full compensating use tax levied under §§ 26-
4 53-106 and 26-53-107 (a), (b), (c), and (d).

5 (5) The excise tax levied in this section shall be collected,
6 reported, and paid in the same manner and at the same time as is prescribed
7 by law for the collection, reporting, and payment of all other Arkansas
8 compensating use taxes.

9 (b) As used in this section, "manufacturer" means a manufacturer
10 classified within sectors 31 through 33 of the North American Industry
11 Classification System, as in effect on January 1, 2007.

12 (c) Natural gas and electricity subject to the reduced tax rate levied
13 in this section shall be separately metered from natural gas and electricity
14 used for any other purpose by the manufacturer, or otherwise established in
15 accordance with the rules issued under subsection (e) of this section.

16 (d) Prior to purchasing any natural gas or electricity at the reduced
17 excise tax rate levied in this section, the director may require any seller
18 of natural gas or electricity to obtain a certificate from the consumer, in
19 the form prescribed by the director, certifying that the manufacturer is
20 eligible to purchase natural gas and electricity at the reduced excise tax
21 rate.

22 (e) The director shall have and be invested with full power and
23 authority to promulgate rules for the proper administration of this section.

24 (f) The purchase of natural gas and electricity by a manufacturer
25 shall continue to be subject to:

26 (1) The excise tax levied under the Arkansas Constitution,
27 Amendment 75, § 2; and

28 (2) All municipal and county compensating use taxes.

29
30 SECTION 3. All existing exemptions from the gross receipts tax levied
31 by the Arkansas Gross Receipts Act or 1941, § 26-52-101 et seq., and the
32 compensating use tax levied by the Arkansas Compensating Tax Act of 1949, §
33 26-53-101 et seq., for natural gas or electricity used in manufacturing or
34 other purposes that are otherwise provided by law shall continue in full
35 force and effect.

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