

Stricken language would be deleted from and underlined language would be added to present law.
Act 1013 of the Regular Session

State of Arkansas
93rd General Assembly
Regular Session, 2021

As Engrossed: H4/19/21

A Bill

HOUSE BILL 1912

By: Representatives Payton, Jett

By: Senators Rapert, J. Dismang

For An Act To Be Entitled

AN ACT TO PROVIDE A REDUCED SALES AND USE TAX RATE
FOR CERTAIN USED MOTOR VEHICLES, TRAILERS, AND
SEMITRAILERS; AND FOR OTHER PURPOSES.

Subtitle

TO PROVIDE A REDUCED SALES AND USE TAX
RATE FOR CERTAIN USED MOTOR VEHICLES,
TRAILERS, AND SEMITRAILERS.

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

SECTION 1. The introductory language to Arkansas Code § 26-52-301, concerning the levy of the sales tax, is amended to read as follows:

Except for food and food ingredients that are taxed under § 26-52-317 and except for used motor vehicles, trailers, and semitrailers that are taxed under § 26-52-324, there is levied an excise tax of three percent (3%) upon the gross proceeds or gross receipts derived from all sales to any person of the following:

SECTION 2. Arkansas Code § 26-52-302 is amended to read as follows:
26-52-302. Additional taxes levied.

(a)(1) In addition to the excise tax levied upon the gross proceeds or gross receipts derived from all sales by this chapter, except for food and food ingredients that are taxed under § 26-52-317 and except for used motor vehicles, trailers, and semitrailers that are taxed under § 26-52-324, there is levied an excise tax of one percent (1%) upon all taxable sales of



property, specified digital products, digital codes, and services subject to the tax levied in this chapter.

(2) This tax shall be collected, reported, and paid in the same manner and at the same time as is prescribed by law for the collection, reporting, and payment of all other Arkansas gross receipts taxes.

(3) In computing gross receipts or gross proceeds as defined in § 26-52-103, a deduction shall be allowed for bad debts resulting from the sale of tangible personal property.

(b)(1) In addition to the excise tax levied upon the gross proceeds or gross receipts derived from all sales by this chapter, except for food and food ingredients that are taxed under § 26-52-317 and except for used motor vehicles, trailers, and semitrailers that are taxed under § 26-52-324, there is hereby levied an excise tax of one-half of one percent (0.5%) upon all taxable sales of property, specified digital products, digital codes, and services subject to the tax levied in this chapter.

(2) This tax shall be collected, reported, and paid in the same manner and at the same time as is prescribed by law for the collection, reporting, and payment of all other Arkansas gross receipts taxes.

(3) However, in computing gross receipts or gross proceeds as defined in § 26-52-103, a deduction shall be allowed for bad debts resulting from the sale of tangible personal property.

(c)(1) Except for food and food ingredients that are taxed under § 26-52-317 and except for used motor vehicles, trailers, and semitrailers that are taxed under § 26-52-324, there is levied an additional excise tax of one-half of one percent (0.5%) upon all taxable sales of property, specified digital products, digital codes, and services subject to the tax levied by this chapter.

(2) The tax shall be collected, reported, and paid in the same manner and at the same time as is prescribed by this chapter, for the collection, reporting, and payment of Arkansas gross receipts taxes.

(d)(1) Except for food and food ingredients that are taxed under § 26-52-317 and except for used motor vehicles, trailers, and semitrailers that are taxed under § 26-52-324, there is levied an additional excise tax of seven-eighths of one percent (0.875%) upon all taxable sales of property, specified digital products, digital codes, and services subject to the tax levied by this chapter.

(2) The tax shall be collected, reported, and paid in the same manner and at the same time as prescribed by this chapter, for the collection, reporting, and payment of Arkansas gross receipts taxes.

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

26-52-324. Special tax rate for certain used motor vehicles, trailers, and semitrailers.

(a) In lieu of the gross receipts or gross proceeds taxes levied under §§ 26-52-301 and 26-52-302, there is levied an excise tax on the gross receipts or gross proceeds derived from the sale of a used motor vehicle, trailer, or semitrailer that has a sales price of at least four thousand dollars (\$4,000) but less than ten thousand dollars (\$10,000) at the rate of two and eight hundred seventy-five thousandths percent (2.875%).

(b) The tax levied in this section shall be in addition to:

(1) Any gross receipts or gross proceeds tax levied in the Arkansas Constitution;

(2) Any gross receipts or gross proceeds tax levied by a municipality or county; and

(3) Any additional gross receipts or gross proceeds tax levied in an Arkansas city and resulting from an election within that city conducted in accordance with §§ 26-52-601 – 26-52-606.

(c) For the purpose of determining whether the tax levied by this section applies to the sale of a used motor vehicle, trailer, or semitrailer, the sales price for the used motor vehicle, trailer, or semitrailer shall not be reduced by:

(1) The value of a motor vehicle, trailer or semitrailer traded in as part payment on the purchase price of the newly acquired motor vehicle, trailer, or semitrailer; or

(2) The amount received by the purchaser for the sale of another motor vehicle, trailer, or semitrailer.

(d) The revenues generated by the tax levied under this section shall be distributed as follows:

(1) Seventy-six and six-tenths percent (76.6%) of the taxes, interest, penalties, and costs received by the Secretary of the Department of Finance and Administration under this section shall be deposited as general

revenues;

(2) Eight and five-tenths percent (8.5%) of the taxes, interest, penalties, and costs received by the secretary under this section shall be deposited into the Property Tax Relief Trust Fund; and

(3) Fourteen and nine-tenths percent (14.9%) of the taxes, interest, penalties, and costs received by the secretary under this section shall be deposited into the Educational Adequacy Fund.

(e) The excise tax levied under this section shall be collected and paid in the same manner and at the same time as is prescribed in § 26-52-510 for the collection and payment of gross receipts taxes on motor vehicles, trailers, and semitrailers.

SECTION 4. Arkansas Code § 26-52-510(b)(1)(B), concerning the direct payment of sales tax by consumer-user on the sale of a new or used motor vehicle, trailer, or semitrailer, is amended to read as follows:

(B)(i)(a) ~~However, if~~ If the total consideration for the sale of the new or used motor vehicle, trailer, or semitrailer is less than four thousand dollars (\$4,000), no tax shall be is due.

(b) If the total consideration for the sale of a new motor vehicle, trailer, or semitrailer is four thousand dollars (\$4,000) or more, the full gross receipts tax rate levied under this chapter shall be levied and collected.

(ii) If the total consideration for the sale of a used motor vehicle, trailer, or semitrailer is at least four thousand dollars (\$4,000) but less than ten thousand dollars (\$10,000), the gross receipts tax due shall be determined under § 26-52-324.

(iii) If the total consideration for the sale of a used motor vehicle, trailer, or semitrailer is ten thousand dollars (\$10,000) or more:

(a) The exemption under subdivision (b)(1)(B)(i)(a) of this section does not apply;

(b) The special tax rate provided in § 26-52-324 does not apply; and

(c) The full gross receipts tax rate levied under this chapter shall be levied and collected.

SECTION 5. Arkansas Code § 26-53-106(a), concerning the imposition and rate of the compensating use tax, is amended to read as follows:

(a) There is levied and there shall be collected from every person in this state a tax or excise for the privilege of storing, using, distributing, or consuming within this state tangible personal property, specified digital products, a digital code, or a taxable service purchased for storage, use, distribution, or consumption in this state at the rate of three percent (3%) of the sales price of the tangible personal property, specified digital products, digital code, or taxable service except for food and food ingredients that are taxed under § 26-53-145 and except for used motor vehicles, trailers, and semitrailers that are taxed under § 26-53-150.

SECTION 6. Arkansas Code § 26-53-107 is amended to read as follows:
26-53-107. Additional taxes levied.

(a)(1) In addition to the excise tax levied upon the privilege of storing, using, distributing, or consuming tangible personal property, specified digital products, a digital code, and taxable services within this state by this subchapter, there is levied an excise tax of one percent (1%) upon all tangible personal property, specified digital products, digital codes, and taxable services subject to the tax levied in this subchapter except for food and food ingredients that are taxed under § 26-53-145 and except for used motor vehicles, trailers, and semitrailers that are taxed under § 26-53-150.

(2) The tax shall be collected, reported, and paid in the same manner and at the same time as is prescribed by law for the collection, reporting, and payment of state compensating taxes.

(b)(1) In addition to the excise tax levied upon the privilege of storing, using, distributing, or consuming tangible personal property, specified digital products, a digital code, and taxable services within the state by this subchapter, there is levied an excise tax of one-half of one percent (0.5%) upon all tangible personal property, specified digital products, digital codes, and taxable services subject to the tax levied in this subchapter except for food and food ingredients that are taxed under § 26-53-145 and except for used motor vehicles, trailers, and semitrailers that are taxed under § 26-53-150.

(2) The tax shall be collected, reported, and paid in the same

manner and at the same time as is prescribed by law for the collection, reporting, and payment of Arkansas compensating taxes.

(c)(1) There is levied an additional excise tax of one-half of one percent (0.5%) upon all tangible personal property, specified digital products, digital codes, and taxable services subject to the tax levied by this subchapter except for food and food ingredients that are taxed under § 26-53-145 and except for used motor vehicles, trailers, and semitrailers that are taxed under § 26-53-150.

(2) The tax shall be collected, reported, and paid in the same manner and at the same time as is prescribed by this subchapter for the collection, reporting, and payment of Arkansas compensating taxes.

(d)(1) There is levied an additional excise tax of seven-eighths of one percent (0.875%) upon all tangible personal property, specified digital products, digital codes, and taxable services subject to the tax levied by this subchapter except for food and food ingredients that are taxed under § 26-53-145 and except for used motor vehicles, trailers, and semitrailers that are taxed under § 26-53-150.

(2) The tax shall be collected, reported, and paid in the same manner and at the same time as is prescribed by this subchapter for the collection, reporting, and payment of Arkansas compensating taxes.

SECTION 7. Arkansas Code § 26-53-126(b)(2), concerning the payment and collection of the use tax on new and used motor vehicles, trailers, or semitrailers, is amended to read as follows:

(2)(A)(i) ~~However, if~~ If the total consideration for the sale of the new or used motor vehicle, trailer, or semitrailer is less than four thousand dollars (\$4,000), no tax ~~shall be~~ is due.

(ii) If the total consideration for the sale of a new motor vehicle, trailer, or semitrailer is four thousand dollars (\$4,000) or more, the full compensating use tax rate levied under this chapter shall be levied and collected.

(B) If the total consideration for the sale of a used motor vehicle, trailer, or semitrailer is at least four thousand dollars (\$4,000) but less than ten thousand dollars (\$10,000), the compensating use tax due shall be determined under § 26-53-150.

(C) If the total consideration for the sale of a used

motor vehicle, trailer, or semitrailer is ten thousand dollars (\$10,000) or more:

- (a) The exemption under subdivision (b)(2)(A)(i) of this section does not apply;
- (b) The special tax rate provided in § 26-53-150 does not apply; and
- (c) The full compensating use tax rate levied under this chapter shall be levied and collected.

SECTION 8. Arkansas Code Title 26, Chapter 53, Subchapter 1, is amended to add an additional section to read as follows:

26-53-150. Special tax rate for certain used motor vehicles, trailers, and semitrailers.

(a)(1) In lieu of the compensating use taxes levied under §§ 26-53-106 and 26-53-107, there is levied an excise tax for the privilege of storing, using, distributing, or consuming a used motor vehicle, trailer, or semitrailer within this state if the sales price of the used motor vehicle, trailer, or semitrailer is at least four thousand dollars (\$4,000) but less than ten thousand dollars (\$10,000).

(2) The excise tax levied under subdivision (a)(1) of this section is levied at the rate of two and eight hundred seventy-five thousandths percent (2.875%) of the sales price of the used motor vehicle, trailer, or semitrailer.

(b) The tax levied in this section shall be in addition to:

(1) Any compensating use tax levied in the Arkansas Constitution;

(2) Any compensating use tax levied by a municipality or county; and

(3) Any additional compensating use tax levied in an Arkansas city under § 26-52-607.

(c) For the purpose of determining whether the tax levied by this section applies to the sale of a used motor vehicle, trailer, or semitrailer, the sales price for the used motor vehicle, trailer, or semitrailer shall not be reduced by:

(1) The value of a motor vehicle, trailer, or semitrailer traded in as part payment on the purchase price of the newly acquired motor vehicle,

trailer, or semitrailer; or

(2) The amount received by the purchaser for the sale of another motor vehicle, trailer, or semitrailer.

(d) The revenues generated by the tax levied under this section shall be distributed as follows:

(1) Seventy-six and six-tenths percent (76.6%) of the taxes, interest, penalties, and costs received by the Secretary of the Department of Finance and Administration under this section shall be deposited as general revenues;

(2) Eight and five-tenths percent (8.5%) of the taxes, interest, penalties, and costs received by the secretary under this section shall be deposited into the Property Tax Relief Trust Fund; and

(3) Fourteen and nine-tenths percent (14.9%) of the taxes, interest, penalties, and costs received by the secretary under this section shall be deposited into the Educational Adequacy Fund.

(e) The excise tax levied under this section shall be collected and paid in the same manner and at the same time as is prescribed in § 26-53-126 for the collection and payment of compensating use taxes on motor vehicles, trailers, and semitrailers.

SECTION 9. EFFECTIVE DATE. Sections 1-8 of this act are effective on and after January 1, 2022.

/s/Payton

APPROVED: 4/29/21