

SENATE AMENDMENT 1 TO sb496.

deleting lines 21 through 36 on page 1, and lines 1 through 12 on page 2 and replacing them with the following:

"SECTION 1. Ark. Code ann. § 26-52-310(c) is amended to read as follows:

(c) (1) The lease or rental of motor vehicles, other than diesel trucks rented for commercial shipping, for a period of less than thirty (30) days shall be subject to the gross receipts tax or compensating tax regardless of whether tax was paid on the rental vehicle at the time of purchase.

~~(2) No sale for resale exemption shall be allowed for the purchase of motor vehicles for rental or lease regardless of the length of the rental or lease.~~

(3) This subsection does not repeal or amend the rental vehicle tax or any credits allowed thereunder. The provisions of this subsection shall be read in conjunction with the rental vehicle tax, and taxes due pursuant to this subsection are in addition to the rental vehicle tax.

SECTION 2. Ark. Code Ann. § 26-52-510 is amended to add a new subsection to read as follows:

(g) The gross receipts or gross proceeds derived from the sale of a motor vehicle to a person engaged in the business of renting licensed motor vehicles shall be exempt from taxation under the Arkansas gross receipts tax, § 26-52-101 et seq., or compensating (use) tax, § 26-53-101 et seq., and any municipal or county sales tax, if the motor vehicle is used exclusively for the purpose of rentals for thirty (30) days or more. The lessee shall collect and remit state and local sales tax on the rental payments on all motor vehicles which are registered without payment of tax pursuant to this subsection.

SECTION 3. title 26, Chapter 52, is amended to add a new section to read as follows:

26-52-313. Long-term rental vehicle tax.

(a) Effective until June 30, 1999, there is levied a tax to be known as the long-term rental vehicle tax. The long-term rental vehicle tax shall be levied at the rate of one and one-half percent (1.5%) on the gross receipts or gross proceeds derived from rentals of licensed motor vehicles leased for a period of thirtiery (30) days or more. The gross receipts or gross proceeds derived from the rentals shall be taxable only if the Arkansas gross receipts tax, § 26-52-101 et seq., or compensating tax, § 26-53-101 et seq., was not paid at the time of registration.

(b) 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 the tax imposed by the Arkansas gross receipts tax, § 26-52-101 et seq.

(c) The rental vehicle tax shall be remitted to the Director of the Department of

Finance and Administration and shall be deposited in the State Treasury as general revenues.

(d) Nothing in this section shall apply to the lease or rental of diesel trucks rented or leased for commercial shipping or farm machinery or farm equipment rented or leased for a commercial purpose.

(g) The long-term rental vehicle tax shall not apply to gasoline or diesel powered trucks rented or leased for residential moving or shipping. "

AND

by appropriately renumbering the remaining sections;

AND

by adding a new section to read as follows:

"SECTION 8. EMERGENCY. It is found and determined by the General Assembly that the current method of taxing long term rental vehicles in combination with leasing industry practices results in all of the tax liability being placed on the lessee; that allowing long term rental vehicles to be purchased and registered exempt from tax and collecting tax on the lease payments reduces the tax liability of the lessee; that the Arkansas Supreme Court recently ruled that the sale of service contracts could not be taxed; that court decision results in confusion among taxpayers and a reduction in tax revenues; that the provisions of this act are necessary in order to remedy the stated problems. Therefore, an emergency is hereby declared to exist and this act being necessary for the preservation of the public peace, health and safety shall be in full force and effect on and after July 1, 1997."