



**State of Arkansas
 Department of Finance and Administration
 Fiscal Impact Statement**

Bill: HB1472

Bill Subtitle: TO CREATE A SALES AND USE TAX EXEMPTION FOR PARTS PURCHASED TO REPAIR AGRICULTURAL EQUIPMENT AND MACHINERY AND TIMBER EQUIPMENT AND MACHINERY AND PARTS AND SERVICES PURCHASED TO REPAIR A GRAIN BIN.

Sponsors:

Rep. Beaty and Sen. Gilmore

Basic Change:

HB1472 creates a sales and use tax exemption for the sale of: (1) parts purchased to repair, either in whole or in part, existing agricultural equipment and machinery or timber equipment and machinery; and (2) parts and services purchased to repair, either in whole or in part, a grain bin. HB1472 provides definitions for "agricultural equipment and machinery" and "timber equipment and machinery":

- "Agricultural equipment and machinery" means implements used exclusively and directly in a commercial agricultural production in the state; and
- "Timber equipment and machinery" means implements used exclusively in the commercial production, harvesting, or processing of timber in the state.

HB1472 is effective on and after January 1, 2026.

Fiscal Impact:

FY2026

Total Approximate State Sales and Use Tax Loss	-\$9,500,726
(Estimated Effective Date 1/1/2026 --- 5 months reduced tax collection)	
General Revenue - 4.5%	-\$6,380,103
Property Tax Relief - .5%	-\$708,900
Conservation Fund - .125%	-\$177,225
Educational Adequacy Fund - .875%	-\$1,240,576
Highway Fund - .5%	-\$730,825
Educational Excellence Trust Fund -	\$0
Educational Adequacy (GR Transfer) -	\$0
State Central Services -	-\$175,398
Constitutional Officers -	-\$87,699
Total Approximate Local City and County Sales and Use Tax Loss	-\$4,823,445



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FY2027

Total Approximate State Sales and Use Tax Loss	-\$23,485,134
General Revenue - 4.5%	-\$14,789,273
Property Tax Relief - .5%	-\$1,752,352
Conservation Fund - .125%	-\$438,088
Educational Adequacy Fund - .875%	-\$3,066,617
Highway Fund - .5%	-\$1,806,549
Educational Excellence Trust Fund -	-\$902,147
Educational Adequacy (GR Transfer) -	-\$79,751
State Central Services -	-\$433,572
Constitutional Officers -	-\$216,786
Total Approximate Local City and County Sales and Use Tax Loss	-\$11,923,222

Taxpayer Impact:

A taxpayer would no longer pay sales or use tax on parts purchased to repair existing agricultural equipment and machinery or timber equipment and machinery, and parts and services purchased to repair a grain bin.

Resources Required:

None.

Time Required:

Adequate time is allowed for implementation.

Procedural Changes:

Department websites and staff training materials will need to be updated to account for the changes.

Other Comments:

None.

Legal Analysis:

HB1472 may benefit from an amendment to clarify what structures or objects qualify as a "grain bin" for purposes of the exemption.



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Current state law provides a sales and use tax exemption for the purchase of certain "farm machinery and equipment" in § 26-52-403 and an exemption for the purchase of certain "farm machinery and equipment" used in the harvesting of timber in § 26-52-431. HB1472 provides new definitions for the terms "agricultural equipment and machinery" and "timber equipment and machinery." Under current law, repair parts for machinery used for harvesting timber are excluded from the sales and use tax exemption. HB1472 exempts repair parts for timber equipment and machinery.

Without an amendment, certain machinery and equipment may be eligible for the sales and use tax exemption while the repair parts for the same machinery and equipment are not included in the sales and use tax exemption. HB1472 may benefit from an amendment to harmonize the exemptions.