

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1428**

**Bill Subtitle: TO CREATE AN EXEMPTION FROM THE SALES AND USE TAX FOR UTILITIES USED BY AN IRRIGATION WELL OR A RICE WELL.**

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**Basic Change :** Sponsor: Representative Jett

The bill enacts a sales and use tax exemption for utilities used by irrigation and rice wells. Exempt utilities are defined as electricity, liquefied petroleum gas, and natural gas. The proposal requires separate utility metering for the wells to be eligible for the exemption and DFA may require the utility purchaser to obtain a certificate from DFA to provide to sellers to establish proof of eligibility. The bill would be effective on the first day of the calendar quarter following the effective date of the act.

**Revenue Impact :**

**FY16 Tax Decrease**

Total Impact to State Revenues - \$2.87 million  
[ 8 Months of Reduced Tax Collections -- 10/1/2015 Effective Date ]

-\$ 1.92 million --- State General Revenue (4.5%)  
-\$ .37 million --- Educational Adequacy (.875% tax)  
-\$ .21 million --- Property Tax Relief Trust Fund (.5%)  
-\$ .05 million --- Conservation Tax (.125%)  
-\$ .21 million --- Highway Fund (.5%)  
-\$ 0 million --- Educational Excellence Trust Fund  
-\$ 0 million --- Educational Adequacy (GR transfer)  
-\$ .06 million --- State Central Services  
-\$ .03 million --- Constitutional Officers  
Total Impact to City and County Sales Tax -\$1.0 million

**FY17 Tax Decrease**

Total Impact to State Revenues - \$4.40 million

-\$ 2.51 million --- State General Revenue (4.5%)  
-\$ .57 million --- Educational Adequacy (.875% tax)  
-\$ .33 million --- Property Tax Relief Trust Fund (.5%)  
-\$ .08 million --- Conservation Tax (.125%)  
-\$ .33 million --- Highway Fund (.5%)  
-\$ .41 million --- Educational Excellence Trust Fund  
-\$ .04 million --- Educational Adequacy (GR transfer)  
-\$ .10 million --- State Central Services  
-\$ .04 million --- Constitutional Officers  
Total Impact to City and County Sales Tax -\$1.1 million

**Taxpayer Impact :**

Sellers would adjust their accounting systems to allow for the new exemption. Eligible purchasers would need to obtain the proper certification from DFA to provide the sellers.

**Resources Required :**

None

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**Time Required :**

Adequate time is provided for implementation.

**Procedural Changes :**

Education of staff, development of the certificate.

**Other Comments :**

The proposal provides a sales tax exemption for utility services used in irrigation and rice wells. The bill does not provide the sales tax exemption for utility services used in surface water irrigation.

**Legal Analysis :**

HB1428 creates a sales and use tax exemption for electrical, liquefied petroleum, and natural gas ("utility services") used by irrigation and rice wells. HB1428 further states that utility services used for any other purpose is fully subject to Arkansas sales and use taxes. Separate metering of the utility services is required to claim the exemption. DFA is required to promulgate rules to administer this exemption. The bill is effective on the first day of the calendar quarter following the effective date of the act.

Initially, the "shall" on Line 10 of Page 2 should be amended to a "may" in case regulations are ultimately deemed to be unnecessary