

Department of Finance and Administration

Legislative Impact Statement

Bill: SB523

Bill Subtitle: TO AMEND THE SALES AND USE TAXES APPLICABLE TO FOOD AND FOOD INGREDIENTS.

Basic Change :

Sponsor: Senator J. Hutchinson

The bill would delete existing Arkansas Code provisions that provide for a reduction in the state sales and use tax rate on sales of food and food ingredients if certain conditions are met. The existing code provisions being deleted by the bill provide for a reduction of the state sales tax rate on food and food ingredients to a tax rate of zero percent (0%) if:

(1) Federal law is adopted to provide authority for the state to collect sales and use tax from sellers having no physical presence in the State and during a six-month consecutive period the amount of net general revenues attributable to the collection is equal to or greater than one hundred fifty percent (150%) of sales and use tax being collected at that time on food and food ingredients; or

(2) It is determined by DFA that the aggregate amount of deductions from general revenues for a six-month consecutive period of time have declined by thirty-five million dollars (\$35,000,000) or more resulting from reduced state expenditures for the Educational Adequacy Fund; Bonds issued under the Arkansas College Savings Bond Act of 1989; Bonds issued under the Arkansas Higher Education Technology and Facility Improvement Act of 2005; The City-County Tourist Facilities Aid Fund; Amounts disbursed or approved to be disbursed by the Department of Education for desegregation expenses under any desegregation settlement agreement; Bonds issued under the Arkansas Water, Waste Disposal and Pollution Abatement Facilities Financing Act of 1997; or the Arkansas Water, Waste Disposal, and Pollution Abatement Facilities Financing Act of 2007.

Deletion of the existing code provisions would result in continuing the existing state sales and use tax rate on food and food ingredients at a total tax rate of one and one-half percent (1.5%) even if federal law is adopted requiring tax collection by remote sellers or if sufficient reductions in the specified state expenditures occur.

During FY2016, state sales and use tax revenues from sales of food and food ingredients totaled \$81,684,406.

Revenue Impact :

None.

Taxpayer Impact :

None.

Resources Required :

None.

Department of Finance and Administration

Legislative Impact Statement

Bill: SB523

Bill Subtitle: TO AMEND THE SALES AND USE TAXES APPLICABLE TO FOOD AND FOOD INGREDIENTS.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

None.

Other Comments :

None.

Legal Analysis :

Existing Arkansas law provides that the state sales and use tax rate levied on food and food ingredients in §§ 26-52-317 and 26-53-145 is one and three-eighths percent (1.375%). Under current law, that rate will be reduced to zero percent (0%) when federal law authorizes collections of sales and use tax from sellers without a physical presence in the state or when aggregate deductions for certain funds have declined by thirty-five million dollars (\$35,000,000). SB523 repeals those conditions and thus eliminates the possibility that the food and food ingredients tax rate will decrease to 0%, and instead, it would remain at 1.375%. Food and food ingredients taxes collected will continue to be allocated as provided under existing law. It is unclear when the bill will become effective because the bill does not contain an effective date section or internal effective date reference.