

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas  
91st General Assembly  
Regular Session, 2017

As Engrossed: S2/2/17 H3/31/17  
**A Bill**

SENATE BILL 140

By: Senators Files, J. Dismang, Teague, B. Sample, Rapert  
By: Representative D. Douglas

### For An Act To Be Entitled

AN ACT TO PROVIDE FOR THE COLLECTION OF *SALES AND USE*  
TAX RATHER THAN USE TAX ON SALES BY CERTAIN REMOTE  
SELLERS; AND FOR OTHER PURPOSES.

### Subtitle

*TO PROVIDE FOR THE COLLECTION OF SALES  
AND USE TAX RATHER THAN USE TAX ON SALES  
BY CERTAIN REMOTE SELLERS.*

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

SECTION 1. DO NOT CODIFY. Legislative findings.

(a) The General Assembly finds that:

(1) The inability to effectively collect any Arkansas sales or use tax from remote sellers who deliver tangible personal property, any other property subject to Arkansas sales and use tax, or services directly into the state is seriously eroding the sales tax base of this state, causing revenue losses and imminent harm to the state through the loss of critical funding for state and local services;

(2) The harm from the loss of revenue is especially serious in Arkansas because sales and use tax revenues are essential in funding state and local services;

(3) Despite the fact that a use tax is owed on tangible personal property, certain other property, or services delivered for use in this state, many remote sellers actively market sales as tax-free or transactions not subject to sales tax;



(4) The structural advantages of remote sellers, including the absence of point-of-sale tax collection and the general growth of online retail, make clear that further erosion of this state's sales and use tax base is likely to occur in the near future;

(5) Remote sellers that make a substantial number of deliveries into Arkansas or collect large gross revenues from Arkansas benefit extensively from this state's market, economy, and infrastructure;

(6) In contrast with the expanding harms caused to the state from the exemption of sales and use tax collection duties for remote sellers, the costs of such a collection have decreased because advanced computing and software options have made it neither difficult nor burdensome for remote sellers to collect and remit sales and use taxes associated with sales into this state;

(7) As United States Supreme Court Justice Anthony Kennedy recently recognized in his concurrence in Direct Marketing Association v. Brohl, 575 U.S. \_\_\_, 135 S. Ct. 1124 (2015) (Kennedy, J., concurring), the United States Supreme Court should reconsider its doctrine that prevents states from requiring remote sellers to collect use tax, and based on the foregoing findings, this argument has grown stronger and the cause more urgent with time;

(8) Given the urgent need for the United States Supreme Court to reconsider the doctrine, it is necessary for this state to pass a law clarifying its immediate intent to require collection of sales and use taxes by remote sellers and permitting the most expeditious possible review of the constitutionality of this law;

(9) Expeditious review is necessary and appropriate because, although it may be reasonable notwithstanding this act for remote sellers to continue to refuse to collect the sales and use tax in light of existing federal constitutional doctrine, this refusal causes imminent harm to this state; and

(10) At the same time, the General Assembly recognizes that the enactment of this law places remote sellers in a complicated position, precisely because existing constitutional doctrine calls this act into question.

(b) The General Assembly intends to:

(1) Clarify that the obligations created by this act would be

appropriately stayed by the courts until the constitutionality of this law has been clearly established by a binding judgment, including without limitation a decision from the United States Supreme Court abrogating its existing doctrine or a final judgment applicable to a particular taxpayer;

(2) Apply Arkansas's sales and use tax obligations to the greatest extent possible under federal and state constitutional doctrines; and

(3) Clarify that Arkansas law permits the state to immediately argue in any litigation that the constitutional doctrine should be changed to permit the collection obligations of this act.

*SECTION 2. Arkansas Code § 26-52-110 is repealed.*

~~*26-52-110. Sellers and affiliated persons — Referral agreements — Notice required.*~~

~~*(a) As used in this section:*~~

~~*(1) "Affiliated person" means:*~~

~~*(A) A person that is a member of the same controlled group of corporations as the seller; or*~~

~~*(B) Another entity that, notwithstanding its form of organization, bears the same ownership relationship to the seller as a corporation that is a member of the same controlled group of corporations;*~~

~~*(2) "Controlled group of corporations" means the same as in 26 U.S.C. § 1563(a), as it existed on January 1, 2011; and*~~

~~*(3) "Facilitator" means a person that directly aids or assists sellers in making remote sales, including without limitation a person that operates a website marketplace through which the seller makes sales.*~~

~~*(b) A seller is presumed to be engaged in the business of selling tangible personal property or taxable services for use in the state if an affiliated person is subject to the sales and use tax jurisdiction of the state and the:*~~

~~*(1) Seller sells a similar line of products as the affiliated person and sells the products under the same business name or a similar business name;*~~

~~*(2) Affiliated person uses its in-state employees or in-state facilities to advertise, promote, or facilitate sales by the seller to consumers;*~~

~~(3) Affiliated person maintains an office, distribution facility, warehouse or storage place, or similar place of business to facilitate the delivery of property or services sold by the seller to the seller's business;~~

~~(4) Affiliated person uses trademarks, service marks, or trade names in the state that are the same or substantially similar to those used by the seller; or~~

~~(5) Affiliated person delivers, installs, assembles, or performs maintenance services for the seller's purchasers within the state.~~

~~(e) The presumption in subsection (b) of this section may be rebutted by demonstrating that the affiliated person's activities in the state are not significantly associated with the seller's ability to establish or maintain a market in the state for the seller's sales.~~

~~(d)(1) If there is not an affiliated person with respect to a seller in the state, the seller is presumed to be engaged in the business of selling tangible personal property or taxable services for use in the state if the seller enters into an agreement with one (1) or more residents of the state under which the residents, for a commission or other consideration, directly or indirectly refer potential purchasers, whether by a link on an Internet website or otherwise, to the seller.~~

~~(2) However, subdivision (d)(1) of this section applies only if the cumulative gross receipts from sales by the seller to purchasers in the state who are referred to the seller by all residents according to the type of agreement described in subdivision (d)(1) of this section exceed ten thousand dollars (\$10,000) during the preceding twelve (12) months.~~

~~(e)(1) The presumption in subsection (d) of this section may be rebutted by submitting proof that the residents with whom the seller has an agreement did not engage in any activity within the state that was significantly associated with the seller's ability to establish or maintain the seller's market in the state during the preceding twelve (12) months.~~

~~(2) Proof provided under subdivision (e)(1) of this section may consist of written statements from all of the residents with whom the seller has an agreement stating that they did not engage in any solicitation in the state on behalf of the seller during the preceding twelve (12) months if the statements were provided and obtained in good faith.~~

~~(f) The Director of the Department of Finance and Administration shall~~

~~promulgate rules to implement this section.~~

SECTION 3. Arkansas Code Title 26, Chapter 52, Subchapter 1, is amended to add an additional section to read as follows:

26-52-111. Collection by remote sellers.

(a) A seller selling tangible personal property, any other property subject to Arkansas sales and use tax, or services for delivery into Arkansas, that does not have a physical presence in this state:

(1) Is subject to the provisions of this chapter and the Arkansas Compensating Tax Act of 1949, § 26-53-101 et seq.; and

(2) Shall either:

(A) Remit the sales and use tax and follow all applicable procedures and requirements of law as if the seller had a physical presence in the state, if the seller meets either of the following criteria in the previous calendar year or the current calendar year:

(i) The seller's gross revenue from the sale of tangible personal property, any other property subject to Arkansas sales and use tax, and services delivered into Arkansas exceeds one hundred thousand dollars (\$100,000); or

(ii) The seller sold tangible personal property, any other property subject to Arkansas sales and use tax, and services for delivery into Arkansas in at least two hundred (200) separate transactions; or

(B) If the seller does not collect and remit sales and use taxes under this section:

(i) Report annually to the Department of Finance and Administration the name of each Arkansas purchaser, the address of each Arkansas purchaser, and the total amount paid to the seller for the year by each Arkansas purchaser; and

(ii) Provide notice to each Arkansas purchaser identified under subdivision (a)(2)(B)(i) of this section that the purchaser's information has been provided to the department.

(b)(1) The state may bring a declaratory judgment action against any person the state believes meets the criteria of subsection (a) of this section to establish that the obligation to remit sales and use tax is applicable and valid under state and federal law.

(2) The state is not required to initiate an audit or other tax collection procedure before bringing a declaratory judgment action under this section.

(3) The circuit court shall act on a declaratory judgment action filed under this section as expeditiously as possible, and this action shall proceed with priority over any other action presenting the same question in any other venue.

(4) The award of attorney's fees is not allowed in a declaratory judgment action brought under this section or any appeal from a declaratory judgment action brought under this section.

(c)(1) The filing of a declaratory judgment action by the state under this section operates as an administrative injunction during the pendency of the action, prohibiting any state entity from enforcing the obligation in subsection (a) of this section against any taxpayer that does not affirmatively consent or otherwise remit the *sales and use* tax on a voluntary basis.

(2) An administrative injunction under this subsection does not apply if there is a previous judgment from a court establishing the validity of the obligation in subsection (a) of this section with respect to the particular taxpayer, and it does not operate to enjoin an existing lawsuit that seeks to establish the validity of the obligation in subsection (a) of this section.

(3) If the declaratory judgment action is resolved in favor of the state, in general or with respect to a specific taxpayer, the state shall assess and apply the obligation established in subsection (a) of this section from that date forward with respect to any taxpayer covered by the administrative injunction.

(d) The obligation to remit the *sales and use* tax required under this section shall not be applied retroactively.

(e)(1) A taxpayer complying with this section may seek a recovery of taxes, penalties, or interest only by following the procedures established in Arkansas Code Title 26, Chapter 18.

(2) However, a claim shall not be granted on the basis that the taxpayer lacked a physical presence in the state and complied with this section voluntarily while covered by an injunction under this section.

(f) This section does not limit the ability of a taxpayer to obtain a

refund for any other reason, including without limitation a mistake of fact or mathematical miscalculation of the applicable tax.

(g) A seller that remits sales and use tax under this section is not liable to a purchaser if the seller was not required to collect sales and use tax because a provision of this section is later deemed unlawful.

(h) This section does not affect the obligation of a purchaser from this state to remit use tax on any applicable transaction in which the seller does not collect and remit sales and use tax.

(i) This section does not affect or impair the:

(1) Obligation of a seller, when the seller is transacting business in the state and a point-of-sale tax is collected on the transaction, to remit all state and local taxes on any applicable transaction in which the seller provides goods or furnishes services within the state; or

(2) Ability of a state entity to immediately collect the taxes described in subdivision (i)(1) of this section.

SECTION 4. DO NOT CODIFY. The Arkansas Tax Reform and Relief Legislative Task Force shall review the amount of revenue attributable to the collection of sales and use taxes under § 26-52-111 and make recommendations concerning the use of these revenues, including without limitation the use of the revenues to reduce income tax rates or fund other programs that the task force deems relevant or necessary.

SECTION 5. EFFECTIVE DATE. Sections 1 through 4 of this act are effective on the first day of the second calendar month following the effective date of this act.

/s/Files