

State of Arkansas  
92nd General Assembly  
Regular Session, 2019

# A Bill

HOUSE BILL 1845

By: Representatives Gates, Breaux, Evans, Glover  
By: Senators Flippo, L. Chesterfield, M. Johnson

## For An Act To Be Entitled

AN ACT TO ADJUST THE COMPUTATION OF SALES AND USE TAX ON CERTAIN SALES OF MOTOR VEHICLES, TRAILERS, AND SEMITRAILERS; TO PROVIDE FOR THE COMPUTATION OF SALES AND USE TAX ON THE PURCHASE OF A MOTOR VEHICLE, TRAILER, OR SEMITRAILER WHEN A USED MOTOR VEHICLE, TRAILER, OR SEMITRAILER IS TRANSFERRED AS PART OF AN INSURANCE SETTLEMENT RATHER THAN TRADED IN AS CREDIT TOWARD OR PARTIAL PAYMENT OF A MOTOR VEHICLE, TRAILER, OR SEMITRAILER; AND FOR OTHER PURPOSES.

## Subtitle

CONCERNING THE SALES AND USE TAX LEVIED ON THE PURCHASE OF A MOTOR VEHICLE, TRAILER, OR SEMITRAILER WHEN A USED MOTOR VEHICLE, TRAILER, OR SEMITRAILER IS TRANSFERRED AS PART OF AN INSURANCE SETTLEMENT.

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

SECTION 1. Arkansas Code § 26-52-510(b)(1)(C), concerning the direct payment of sales tax by a consumer-user for a new or used motor vehicle, trailer, or semitrailer, is amended to read as follows:

(C)(i) When a used motor vehicle, trailer, or semitrailer is either sold by a consumer or transferred to an insurance company as part of an insurance settlement agreement, rather than ~~traded in~~ traded in as a



credit or ~~part~~ partial payment on the sale of a new or used motor vehicle, trailer, or semitrailer, and the consumer subsequently purchases a new or used motor vehicle, trailer, or semitrailer of greater value within forty-five (45) days of the sale or the insurance settlement agreement, the tax levied by this chapter and all other gross receipts taxes levied by the state shall be paid on the net difference between the total consideration for the new or used motor vehicle, trailer, or semitrailer purchased subsequently and the amount received from the sale of or the insurance settlement agreement concerning the used motor vehicle, trailer, or semitrailer sold or transferred in lieu of a trade-in.

(ii)(a) Upon registration of the new or used motor vehicle, a consumer claiming the deduction provided by subdivision (b)(1)(C)(i) of this section shall provide ~~a~~ one (1) of the following that reflects the total consideration paid to the seller for the used motor vehicle, trailer, or semitrailer:

(1) A bill of sale signed by all parties to the transaction which reflects the total consideration paid to the seller for the vehicle; or

(2) An insurance settlement agreement that is signed by all parties to the settlement and that states the settlement amount paid for the used motor vehicle, trailer, or semitrailer.

(b) A copy of the bill of sale or insurance settlement agreement shall be deposited with the revenue office ~~at the time of registration of~~ when the taxpayer registers the new or used motor vehicle.

(c) The deduction provided by this section ~~shall~~ is not be allowed unless the taxpayer claiming the deduction provides ~~a copy of a bill of sale signed by all parties to the transaction which reflects the total consideration paid to the seller for the vehicle~~ the documentation required under this subdivision (b)(1)(C)(ii).

(iii) If the taxpayer claiming the deduction provided in this section ~~fails to~~ does not provide ~~a bill of sale signed by all parties to the transaction which reflects the total consideration paid to the seller for the vehicle~~ the documentation required under subdivision (b)(1)(C)(ii) of this section, tax ~~shall be~~ is due on the total consideration paid for the new or used motor vehicle, trailer, or semitrailer without any deduction for the value of the item sold or transferred.

(iv) The deduction provided for under this subdivision (b)(1)(C) does not apply if sales tax is included in an insurer's payment for a loss under § 23-89-211 for a motor vehicle transferred to an insurance company as part of an insurance settlement agreement.

SECTION 2. Arkansas Code § 26-53-126(b)(3), concerning the payment of use tax on a new or used motor vehicle, trailer, or semitrailer, is amended to read as follows:

(3)(A) When a used motor vehicle, trailer, or semitrailer is either sold by a consumer or transferred to an insurance company as part of an insurance settlement agreement, rather than traded in as a credit or ~~part~~ partial payment on the sale of a new or used motor vehicle, trailer, or semitrailer, and the consumer subsequently purchases a new or used motor vehicle, trailer, or semitrailer of greater value within forty-five (45) days of the sale or the insurance settlement agreement, the tax levied by this chapter and all other gross receipts taxes levied by the state shall be paid on the net difference between the total consideration for the new or used motor vehicle, trailer, or semitrailer purchased subsequently and the amount received from the sale of or the insurance settlement agreement concerning the used motor vehicle, trailer, or semitrailer sold or transferred in lieu of a trade-in.

(B)(i) Upon registration of the new or used motor vehicle, consumers claiming the deduction provided by subdivision (b)(3)(A) of this section shall provide ~~a~~ one (1) of the following that reflects the total consideration paid to the seller for the used motor vehicle, trailer, or semitrailer:

(a) A bill of sale signed by all parties to the transaction which reflects the total consideration paid to the seller for the vehicle; or

(b) An insurance settlement agreement that is signed by all parties to the settlement and that states the settlement amount paid for the used motor vehicle, trailer, or semitrailer.

(ii) A copy of the bill of sale or insurance settlement agreement shall be deposited with the revenue office ~~at the time of registration of~~ when the taxpayer registers the new or used motor vehicle.

(iii) The deduction provided by this subdivision

(b)(3) ~~shall~~ is not be allowed unless the taxpayer claiming the deduction provides a copy of a bill of sale signed by all parties to the transaction which reflects the total consideration paid to the seller for the vehicle the documentation required under this subdivision (b)(3)(B).

(C) If the taxpayer claiming the deduction provided in this subdivision (b)(3) ~~fails to~~ does not provide a bill of sale signed by all parties to the transaction which reflects the total consideration paid to the seller for the vehicle the documentation required under subdivision (b)(3)(B) of this section, tax ~~shall be~~ is due on the total consideration paid for the new or used motor vehicle, trailer, or semitrailer without any deduction for the value of the item sold or transferred.

(D) The deduction provided for under this subdivision (b)(3) does not apply if sales tax is included in an insurer's payment for a loss under § 23-89-211 for a motor vehicle transferred to an insurance company as part of an insurance settlement agreement.

SECTION 3. EFFECTIVE DATE. Sections 1 and 2 of this act are effective on the first day of the calendar quarter following the effective date of this act.