

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

State of Arkansas  
95th General Assembly  
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As Engrossed: S3/13/25

## A Bill

SENATE BILL 394

By: Senators J. Bryant, Hester, Dees

By: Representatives McAlindon, B. McKenzie, R. Burkes, Underwood, R. Scott Richardson, McCollum,  
John Carr, Duke, Torres

### For An Act To Be Entitled

AN ACT TO AMEND THE LAW CONCERNING COUNTY SALES AND USE TAXES FOR CAPITAL IMPROVEMENTS; TO ALLOW A COUNTY TO REFER TO THE VOTERS A CHANGE IN THE ALLOCATION OR DISTRIBUTION OF REVENUES FROM A COUNTY SALES AND USE TAX FOR CAPITAL IMPROVEMENTS; TO PROHIBIT A MUNICIPALITY FROM PLEDGING REVENUES FROM A COUNTY SALES AND USE TAX FOR CAPITAL IMPROVEMENTS TO REPAY BONDS; AND FOR OTHER PURPOSES.

### Subtitle

TO AMEND THE LAW CONCERNING THE ALLOCATION, DISTRIBUTION, AND USE OF REVENUES DERIVED FROM A COUNTY SALES AND USE TAXES FOR CAPITAL IMPROVEMENTS.

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

SECTION 1. Arkansas Code § 14-164-337(a), concerning the pledge of preexisting sales and use tax under the Local Government Bond Act of 1985, is amended to read as follows:

(a) ~~In~~ Except as provided in § 26-74-214(c)(1)(B), in any municipality or county which has in effect the levy of a local sales and use tax, the legislative body may, by ordinance, pledge all or a specified portion of the existing tax to retire its bonds as provided in this subchapter.

SECTION 2. Arkansas Code § 26-74-208(c), concerning the form of the



ballot for a county sales and use tax for capital improvements, is amended to read as follows:

(c)(1)(A) The ballot may also indicate designated uses of the revenues derived from the sales and use tax or the allocation or distribution of revenues, or both, and if the tax is approved, the proceeds shall only be used for the designated purposes and distributed in the manner set forth in the ballot.

(B) The county's share of the proceeds may be used for other designated purposes if the electors approve a change in the designated use of the revenues by vote under this subsection.

(2)(A)(i) The quorum court of a county may refer to the vote of the people a change in the indicated use of revenues derived from a sales and use tax levied by the county that was approved by the voters, ~~but a change shall not alter the allocation of tax collections among the county and municipalities within the county~~ or, if the requirement of subdivision (c)(2)(A)(ii) of this section is met, a change in the allocation or distribution of revenues among the county and the municipalities within the county.

(ii) The quorum court of a county may refer to the vote of the people a change in the allocation or distribution of revenues among the county and the municipalities within the county only if the population of the largest municipality in the county exceeds the population of the unincorporated areas of the county, according to the most recent federal decennial census.

(B) If the quorum court of a county refers to the vote of the people a change in the indicated use of revenues derived from a sales and use tax or a change in the allocation of tax collections among the county and the municipalities within the county, or both, the quorum court shall:

(i) Notify the county board of election commissioners that the measure has been referred to the vote of the people; and

(ii) Submit a copy of the ballot title to the county board of election commissioners.

(C)(i) An election to change the indicated use of revenues derived from a sales and use tax or to change the allocation or distribution of revenues among the county and the municipalities within the county, or

both, shall be conducted in the manner provided by law for all other county elections.

(ii) The results of an election under this subsection shall be certified, proclaimed, and subject to challenge under the procedures stated in § 26-74-209.

(3)(A) If the voters approve a change in the indicated use of revenues derived from a sales and use tax, the change in the indicated use shall apply to all revenues collected on the first day of the calendar month following the expiration of the thirty-day challenge period under § 26-74-209.

(B) If the voters approve a change in the allocation or distribution of revenues among the county and the municipalities within the county, the county shall notify the Treasurer of State of the new allocation or distribution of revenues among the county and the municipalities within the county that was approved by the voters after publication of the proclamation has occurred and at least ninety (90) days before the new allocation or distribution becomes effective.

(4)(A) If the voters do not approve a change in the indicated use of revenues derived from a sales and use tax, the tax shall continue to be collected and the revenues derived from the tax shall continue to be used for the purposes indicated in the ballot for the tax.

(B) If the voters do not approve a change in the allocation or distribution of revenues among the county and the municipalities within the county:

(i) The tax shall continue to be collected; and

(ii) There shall be no change in the allocation or distribution of the revenues derived from the tax.

(C) An election to change the indicated use of revenues derived from a sales and use tax or to change the allocation or distribution of revenues among the county and municipalities, or both, shall not constitute an election on the levy of the tax.

(5) Notwithstanding anything in this subchapter to the contrary, in any county that a local sales and use tax has been adopted in the manner provided for in this subchapter and a portion of the revenues derived from the tax has been pledged to secure lease rentals or bonds, the purpose for the tax may not be changed to reduce the pledge in favor of the lease or

bonds.

SECTION 3. Arkansas Code § 26-74-214(c)(1), concerning the disposition of funds received from a county sales and use tax for capital improvements, is amended to read as follows:

(c)(1)(A) Funds Except as provided in subdivision (c)(1)(B) of this section, funds received by the counties and municipalities pursuant to the provisions of this subchapter may be used by the counties and municipalities for any purpose for which the county general funds or the city general funds may be used, subject to designations set forth in the ballot, if any.

(B) A municipality shall not pledge revenues from a tax levied under this subchapter for the repayment of bonds.

*/s/J. Bryant*