

1 State of Arkansas As Engrossed: H3/17/25 H4/1/25 S4/8/25 S4/9/25

2 95th General Assembly

# A Bill

3 Regular Session, 2025

HOUSE BILL 1685

4

5 By: Representatives Underwood, McCollum, Ray, Achor, Barker, Beaty Jr., Bentley, Breaux, Brooks, A.  
6 Brown, K. Brown, M. Brown, N. Burkes, R. Burkes, John Carr, Cavanaugh, Crawford, Evans, Furman,  
7 Gazaway, Gonzales, Gramlich, Hawk, Hollowell, Long, Lundstrum, McAlindon, McClure, M. McElroy,  
8 B. McKenzie, J. Moore, Painter, Pilkington, J. Richardson, R. Scott Richardson, Rose, Rye, Torres,  
9 Vaught, Wooldridge

10 By: Senator Hester

11

12

## For An Act To Be Entitled

13

AN ACT TO CREATE THE GROCERY TAX RELIEF ACT; TO AMEND  
14 THE LAW CONCERNING THE SALES AND USE TAXES LEVIED ON  
15 FOOD AND FOOD INGREDIENTS, AS AFFIRMED BY REFERRED  
16 ACT 19 OF 1958; TO EXEMPT FOOD AND FOOD INGREDIENTS  
17 FROM STATE SALES AND USE TAXES; TO MAKE CONFORMING  
18 CHANGES TO ARKANSAS TAX LAW; AND FOR OTHER PURPOSES.

19

20

21

## Subtitle

22

TO CREATE THE GROCERY TAX RELIEF ACT; TO  
23 AMEND THE LAW CONCERNING THE SALES AND  
24 USE TAXES LEVIED ON FOOD AND FOOD  
25 INGREDIENTS, AS AFFIRMED BY REFERRED ACT  
26 19 OF 1958; AND TO EXEMPT GROCERIES FROM  
27 STATE SALES AND USE TAXES.

28

29

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

30

31

SECTION 1. DO NOT CODIFY. Title.

32

This act shall be known and may be cited as the "Grocery Tax Relief

33

Act".

34

35

SECTION 2. DO NOT CODIFY. Legislative intent.

36

The General Assembly intends:



1           (1) To exempt the gross receipts or gross proceeds derived from  
2 the sale of food and food ingredients from state taxes; and

3           (2) For the gross receipts and gross proceeds derived from the  
4 sale of food and food ingredients to continue to be subject to taxes levied  
5 by municipalities and counties under the Arkansas Gross Receipts Act of 1941,  
6 § 26-52-101 et seq., and the Arkansas Compensating Tax Act of 1949, § 26-53-  
7 101 et seq.

8  
9           SECTION 3. Arkansas Code § 19-5-1103(b), concerning the Property Tax  
10 Relief Trust Fund, is amended to read as follows:

11           (b) The fund shall consist of such revenues as generated by §§ 26-52-  
12 302(c), ~~26-52-317(e)(1)(B)~~, 26-52-319(a)(2)(B), 26-53-107(c), ~~26-53-~~  
13 ~~145(e)(1)(B)~~, 26-53-148(a)(2)(B), and 26-56-224(c)(2) and shall be used for  
14 such purposes as set out in § 26-26-310.

15  
16           SECTION 4. Arkansas Code § 19-5-1227(b)(3), concerning the Educational  
17 Adequacy Fund, is amended to read as follows:

18           (3) The revenues generated by § 26-52-302(d), § 26-52-316,  
19 ~~§ 26-52-317(e)(1)(G)~~, § 26-52-319(a)(2)(C), § 26-53-107(d), ~~§ 26-53-~~  
20 ~~145(e)(1)(G)~~, § 26-53-148(a)(2)(C), § 26-56-224(c)(3), and § 26-57-  
21 1002(d)(1)(A)(ii); and

22  
23           SECTION 5. Arkansas Code § 19-6-201(58), concerning the enumeration of  
24 general revenues, is repealed.

25           ~~(58) Seventy six and six tenths percent (76.6%) of all taxes,~~  
26 ~~interest, penalties, and costs on taxes levied on the gross receipts or gross~~  
27 ~~proceeds derived from the sale of food and food ingredients, § 26-52-~~  
28 ~~317(e)(1)(A);~~

29  
30           SECTION 6. Arkansas Code § 19-6-201(60), concerning the enumeration of  
31 general revenues, is repealed.

32           ~~(60) Seventy six and six tenths percent (76.6%) of the taxes,~~  
33 ~~interest, penalties, and costs received on taxes levied on the privilege of~~  
34 ~~storing, using, distributing, or using food and food ingredients, § 26-53-~~  
35 ~~145(e)(1)(A);~~

36

1 SECTION 7. The introductory language of Arkansas Code § 26-52-301,  
2 concerning the sales tax levied on the sale of certain products and services,  
3 is amended to read as follows:

4 Except for ~~food and food ingredients that are taxed under § 26-52-317~~  
5 ~~and except for~~ used motor vehicles, trailers, and semitrailers that are taxed  
6 under § 26-52-324, there is levied an excise tax of three percent (3%) upon  
7 the gross proceeds or gross receipts derived from all sales to any person of  
8 the following:

9  
10 SECTION 8. Arkansas Code § 26-52-302 is amended to read as follows:

11 26-52-302. Additional taxes levied.

12 (a)(1) In addition to the excise tax levied upon the gross proceeds or  
13 gross receipts derived from all sales by this chapter, ~~except for food and~~  
14 ~~food ingredients that are taxed under § 26-52-317 and~~ except for used motor  
15 vehicles, trailers, and semitrailers that are taxed under § 26-52-324, there  
16 is levied an excise tax of one percent (1%) upon all taxable sales of  
17 property, specified digital products, digital codes, and services subject to  
18 the tax levied in this chapter.

19 (2) This tax shall be collected, reported, and paid in the same  
20 manner and at the same time as is prescribed by law for the collection,  
21 reporting, and payment of all other Arkansas gross receipts taxes.

22 (3) In computing gross receipts or gross proceeds as defined in  
23 § 26-52-103, a deduction shall be allowed for bad debts resulting from the  
24 sale of tangible personal property.

25 (b)(1) In addition to the excise tax levied upon the gross proceeds or  
26 gross receipts derived from all sales by this chapter, ~~except for food and~~  
27 ~~food ingredients that are taxed under § 26-52-317 and~~ except for used motor  
28 vehicles, trailers, and semitrailers that are taxed under § 26-52-324, there  
29 is hereby levied an excise tax of one-half of one percent (0.5%) upon all  
30 taxable sales of property, specified digital products, digital codes, and  
31 services subject to the tax levied in this chapter.

32 (2) This tax shall be collected, reported, and paid in the same  
33 manner and at the same time as is prescribed by law for the collection,  
34 reporting, and payment of all other Arkansas gross receipts taxes.

35 (3) However, in computing gross receipts or gross proceeds as  
36 defined in § 26-52-103, a deduction shall be allowed for bad debts resulting

1 from the sale of tangible personal property.

2 (c)(1) Except for ~~food and food ingredients that are taxed under § 26-~~  
3 ~~52-317 and except for~~ used motor vehicles, trailers, and semitrailers that  
4 are taxed under § 26-52-324, there is levied an additional excise tax of one-  
5 half of one percent (0.5%) upon all taxable sales of property, specified  
6 digital products, digital codes, and services subject to the tax levied by  
7 this chapter.

8 (2) The tax shall be collected, reported, and paid in the same  
9 manner and at the same time as is prescribed by this chapter, for the  
10 collection, reporting, and payment of Arkansas gross receipts taxes.

11 (d)(1) Except for ~~food and food ingredients that are taxed under § 26-~~  
12 ~~52-317 and except for~~ used motor vehicles, trailers, and semitrailers that  
13 are taxed under § 26-52-324, there is levied an additional excise tax of  
14 seven-eighths of one percent (0.875%) upon all taxable sales of property,  
15 specified digital products, digital codes, and services subject to the tax  
16 levied by this chapter.

17 (2) The tax shall be collected, reported, and paid in the same  
18 manner and at the same time as prescribed by this chapter, for the  
19 collection, reporting, and payment of Arkansas gross receipts taxes.

20

21 SECTION 9. Arkansas Code § 26-52-317 is amended to read as follows:

22 26-52-317. Food and food ingredients.

23 (a)(1) ~~The Secretary of the Department of Finance and Administration~~  
24 ~~shall determine the following conditions:~~

25 (A) ~~That federal law authorizes the state to collect sales~~  
26 ~~and use tax from some or all of the sellers that have no physical presence in~~  
27 ~~the State of Arkansas and that make sales of taxable goods and services to~~  
28 ~~Arkansas purchasers;~~

29 (B) ~~That initiating the collection of sales and use tax~~  
30 ~~from these sellers would increase the net available general revenues needed~~  
31 ~~to fund state agencies, services, and programs; and~~

32 (C)(i) ~~That during a six month consecutive period, the~~  
33 ~~amount of net available general revenues attributable to the collection of~~  
34 ~~sales and use tax from sellers that have no physical presence in the State of~~  
35 ~~Arkansas is equal to or greater than one hundred fifty percent (150%) of~~  
36 ~~sales and use tax collected under subsection (c) of this section and § 26-53-~~

1 ~~145 on food and food ingredients.~~

2 ~~(ii) The secretary shall make the determination~~  
3 ~~under subdivision (a)(1)(C)(i) of this section on a monthly basis following~~  
4 ~~the determination that the conditions under subdivision (a)(1)(A) of this~~  
5 ~~section have been met.~~

6 ~~(2)(A) The secretary shall make a monthly determination as to~~  
7 ~~whether the aggregate amount of deductions from net general revenues~~  
8 ~~attributable to the following during the most recently ended six-month~~  
9 ~~consecutive period, as compared with the same six-month period in the prior~~  
10 ~~year, has declined by thirty-five million dollars (\$35,000,000) or more:~~

11 ~~(i) The Educational Adequacy Fund;~~

12 ~~(ii) Bonds issued under the Arkansas College Savings~~  
13 ~~Bond Act of 1989, § 6-62-701 et seq.;~~

14 ~~(iii) Bonds issued under the Arkansas Higher~~  
15 ~~Education Technology and Facility Improvement Act of 2005, § 6-62-1101 et~~  
16 ~~seq.;~~

17 ~~(iv) The City-County Tourist Facilities Aid Fund;~~  
18 ~~and~~

19 ~~(v) Bonds issued under the Arkansas Water, Waste~~  
20 ~~Disposal and Pollution Abatement Facilities Financing Act of 1997 and the~~  
21 ~~Arkansas Water, Waste Disposal, and Pollution Abatement Facilities Financing~~  
22 ~~Act of 2007, § 15-20-1301 et seq.~~

23 ~~(B)(i) In making the determination in this subdivision~~  
24 ~~(a)(2), the secretary shall consider all economic factors existing at the~~  
25 ~~time of the determination that could potentially affect the decline in the~~  
26 ~~aggregate amount of deductions, including without limitation pending~~  
27 ~~litigation.~~

28 ~~(ii) If the consideration of additional economic~~  
29 ~~factors under subdivision (a)(2)(B)(i) of this section results in a~~  
30 ~~determination that the decline in the aggregate amount of deductions is not~~  
31 ~~likely to remain at that reduced level, the secretary shall conclude that the~~  
32 ~~conditions in this subdivision (a)(2) have not been met.~~

33 ~~(3) When the secretary finds that all of the conditions in~~  
34 ~~either subdivision (a)(1) or subdivision (a)(2) of this section have been~~  
35 ~~met, then the gross receipts or gross proceeds taxes levied under subsection~~  
36 ~~(c) of this section shall be levied at the rate of zero percent (0%) on the~~

1 ~~sale of food and food ingredients beginning on the first day of the calendar~~  
 2 ~~quarter that is at least thirty (30) days following the determination of the~~  
 3 ~~secretary.~~

4 ~~(b) As used in this section:~~

5 ~~(1) "Food" and "food ingredients" mean the same as defined in §~~  
 6 ~~26-52-103 except that "food" and "food ingredients" do not include prepared~~  
 7 ~~food; and~~

8 ~~(2) "Prepared food" means the same as defined in § 26-52-103~~  
 9 ~~except that "prepared food" does not include:~~

10 ~~(A) Food that is only cut, repackaged, or pasteurized by~~  
 11 ~~the seller; or~~

12 ~~(B) Eggs, fish, meat, and poultry, and foods containing~~  
 13 ~~these raw animal foods requiring cooking by the consumer to prevent food-~~  
 14 ~~borne illnesses as recommended by the United States Food and Drug~~  
 15 ~~Administration in its 2005 Food Code, § 3-401.11, as it existed on January 1,~~  
 16 ~~2007.~~

17 ~~*(b) For the purposes of the Local Government Bond Act of 1985, § 14-*~~  
 18 ~~*164-301 et seq., § 26-52-303, §§ 26-52-606 – 26-52-607, §§ 26-73-110 – 26-73-*~~  
 19 ~~*113, § 26-74-201 et seq., § 26-74-301 et seq., § 26-74-401 et seq., § 26-74-*~~  
 20 ~~*601 et seq., § 26-75-201 et seq., § 26-75-301 et seq., § 26-75-401 et seq., §*~~  
 21 ~~*26-75-501 et seq., the Multicounty Airport and Riverport Financing Act, § 26-*~~  
 22 ~~*81-101 et seq., and the Local Sales and Use Tax Economic Development Project*~~  
 23 ~~*Funding Act, § 26-82-101 et seq., food and food ingredients are subject to*~~

24 ~~*taxation under this chapter. (c)(1) Beginning July 1, 2011, in lieu of the*~~  
 25 ~~*gross receipts or gross proceeds taxes levied on food and food ingredients*~~  
 26 ~~*under §§ 26-52-301 and 26-52-302, there is levied a tax on the gross receipts*~~  
 27 ~~*or gross proceeds derived from the sale of food and food ingredients at the*~~  
 28 ~~*rate of one and three eighths percent (1.375%), to be distributed as follows:*~~

29 ~~(A) Seventy six and six tenths percent (76.6%) of the~~  
 30 ~~taxes, interest, penalties, and costs received by the secretary under this~~  
 31 ~~subdivision (c)(1) shall be deposited as general revenues;~~

32 ~~(B) Eight and five tenths percent (8.5%) of the taxes,~~  
 33 ~~interest, penalties, and costs received by the secretary under this~~  
 34 ~~subdivision (c)(1) shall be deposited into the Property Tax Relief Trust~~  
 35 ~~Fund; and~~

36 ~~(C) Fourteen and nine tenths percent (14.9%) of the taxes,~~

1 ~~interest, penalties, and costs received by the secretary under this~~  
2 ~~subdivision (c)(1) shall be deposited into the Educational Adequacy Fund.~~

3 ~~(2) The gross receipts or gross proceeds taxes levied under~~  
4 ~~subdivision (c)(1) of this section shall be collected, reported, and paid in~~  
5 ~~the same manner and at the same time as is prescribed by law for the~~  
6 ~~collection, reporting, and payment of all other Arkansas gross receipts~~  
7 ~~taxes.~~

8 ~~(d) The gross receipts or gross proceeds derived from the sale of food~~  
9 ~~and food ingredients shall continue to be subject to the:~~

10 ~~(1) Excise tax levied under Arkansas Constitution, Amendment 75,~~  
11 ~~§ 2, and~~

12 ~~(2) All municipal and county gross receipts taxes.~~

13 ~~(e) The Department of Finance and Administration shall promulgate~~  
14 ~~rules to implement the provisions of this section.~~

15  
16 SECTION 10. Arkansas Code § 26-52-323 is amended to read as follows:

17 26-52-323. Application of tax to candy and soft drinks.

18 The Secretary of the Department of Finance and Administration shall  
19 either:

20 (1)(A) Publish a list of the Universal Product Codes for items  
21 that meet the definition of:

22 (i) A candy under § 26-52-103 or § 26-53-102; or

23 (ii) A soft drink under § 26-52-103 or § 26-53-102.

24 (B) The list published by the secretary under subdivision  
25 (1)(A) of this section shall provide guidance to retailers, sellers, and  
26 vendors regarding which items are defined as a candy or a soft drink but not  
27 defined as food and food ingredients under the Arkansas Gross Receipts Act of  
28 1941, § 26-52-101 et seq., or the Arkansas Compensating Tax Act of 1949, §  
29 26-53-101 et seq.

30 (C) The list published by the secretary under subdivision  
31 (1)(A) of this section is exempt from the Arkansas Administrative Procedure  
32 Act, § 25-15-201 et seq.; or

33 (2) Not subject a retailer, seller, or vendor to the penalties  
34 under § 26-18-201, § 26-18-202, § 26-18-208, § 26-18-209, § 26-52-512, or §  
35 26-53-125 if the retailer, seller, or vendor:

36 (A) ~~Collects and remits~~ Does not collect or remit tax

1 payments to the Department of Finance and Administration on the gross  
2 receipts and gross proceeds derived from the sale of items that meet the  
3 definition of:

4 (i) A candy under § 26-52-103 or § 26-53-102 ~~at the~~  
5 ~~taxable rate for food and food ingredients under § 26-52-317 or § 26-53-145;~~  
6 or

7 (ii) A soft drink under § 26-52-103 or § 26-53-102 ~~at~~  
8 ~~the taxable rate for food and food ingredients under § 26-52-317 or § 26-53-~~  
9 ~~145; and~~

10 (B) Demonstrates a good faith effort to collect and remit  
11 tax payments to the department on the gross receipts and gross proceeds  
12 derived from the sale of items that meet the definition of:

13 (i) A candy under § 26-52-103 or § 26-53-102 at the  
14 taxable rate under § 26-52-301, § 26-52-302, § 26-53-106, or § 26-53-107; or

15 (ii) A soft drink under § 26-52-103 or § 26-53-102 at  
16 the taxable rate under § 26-52-301, § 26-52-302, § 26-53-106, or § 26-53-107.

17  
18 SECTION 11. Arkansas Code Title 26, Chapter 52, Subchapter 4, is  
19 amended to add an additional section to read as follows:

20 26-52-457. Food and food ingredients.

21 (a) As used in this section:

22 (1) "Food" and "food ingredients" mean the same as defined in §  
23 26-52-103 except that "food" and "food ingredients" do not include prepared  
24 food; and

25 (2) "Prepared food" means the same as defined in § 26-52-103  
26 except that "prepared food" does not include:

27 (A) Food that is only cut, repackaged, or pasteurized by  
28 the seller; or

29 (B) Eggs, fish, meat, and poultry, and foods containing  
30 these raw animal foods requiring cooking by the consumer to prevent food-  
31 borne illnesses as recommended by the United States Food and Drug  
32 Administration in its 2005 Food Code, § 3-401.11, as it existed on January 1,  
33 2007.

34 (b) Except as provided in §§ 26-52-317 and 26-53-145, the gross  
35 receipts or gross proceeds derived from the sale of food and food ingredients  
36 are exempt from the gross receipts tax levied by this chapter and the



1 compensating use tax levied by the Arkansas Compensating Tax Act of 1949, §  
2 26-53-101 et seq.

3  
4 SECTION 12. Arkansas Code § 26-53-106(a), concerning the imposition  
5 and rate of the compensating use tax, is amended to read as follows:

6 (a) There is levied and there shall be collected from every person in  
7 this state a tax or excise for the privilege of storing, using, distributing,  
8 or consuming within this state tangible personal property, specified digital  
9 products, a digital code, or a taxable service purchased for storage, use,  
10 distribution, or consumption in this state at the rate of three percent (3%)  
11 of the sales price of the tangible personal property, specified digital  
12 products, digital code, or taxable service ~~except for food and food~~  
13 ~~ingredients that are taxed under § 26-53-145 and~~ except for used motor  
14 vehicles, trailers, and semitrailers that are taxed under § 26-53-150.  
15

16 SECTION 13. Arkansas Code § 26-53-107 is amended to read as follows:  
17 26-53-107. Additional taxes levied.

18 (a)(1) In addition to the excise tax levied upon the privilege of  
19 storing, using, distributing, or consuming tangible personal property,  
20 specified digital products, a digital code, and taxable services within this  
21 state by this subchapter, there is levied an excise tax of one percent (1%)  
22 upon all tangible personal property, specified digital products, digital  
23 codes, and taxable services subject to the tax levied in this subchapter  
24 ~~except for food and food ingredients that are taxed under § 26-53-145 and~~  
25 except for used motor vehicles, trailers, and semitrailers that are taxed  
26 under § 26-53-150.

27 (2) The tax shall be collected, reported, and paid in the same  
28 manner and at the same time as is prescribed by law for the collection,  
29 reporting, and payment of state compensating taxes.

30 (b)(1) In addition to the excise tax levied upon the privilege of  
31 storing, using, distributing, or consuming tangible personal property,  
32 specified digital products, a digital code, and taxable services within the  
33 state by this subchapter, there is levied an excise tax of one-half of one  
34 percent (0.5%) upon all tangible personal property, specified digital  
35 products, digital codes, and taxable services subject to the tax levied in  
36 this subchapter ~~except for food and food ingredients that are taxed under §~~

1 ~~26-53-145~~ and except for used motor vehicles, trailers, and semitrailers that  
2 are taxed under § 26-53-150.

3 (2) The tax shall be collected, reported, and paid in the same  
4 manner and at the same time as is prescribed by law for the collection,  
5 reporting, and payment of Arkansas compensating taxes.

6 (c)(1) There is levied an additional excise tax of one-half of one  
7 percent (0.5%) upon all tangible personal property, specified digital  
8 products, digital codes, and taxable services subject to the tax levied by  
9 this subchapter ~~except for food and food ingredients that are taxed under §~~  
10 ~~26-53-145~~ and except for used motor vehicles, trailers, and semitrailers that  
11 are taxed under § 26-53-150.

12 (2) The tax shall be collected, reported, and paid in the same  
13 manner and at the same time as is prescribed by this subchapter for the  
14 collection, reporting, and payment of Arkansas compensating taxes.

15 (d)(1) There is levied an additional excise tax of seven-eighths of  
16 one percent (0.875%) upon all tangible personal property, specified digital  
17 products, digital codes, and taxable services subject to the tax levied by  
18 this subchapter ~~except for food and food ingredients that are taxed under §~~  
19 ~~26-53-145~~ and except for used motor vehicles, trailers, and semitrailers that  
20 are taxed under § 26-53-150.

21 (2) The tax shall be collected, reported, and paid in the same  
22 manner and at the same time as is prescribed by this subchapter for the  
23 collection, reporting, and payment of Arkansas compensating taxes.

24  
25 SECTION 14. Arkansas Code § 26-53-145 is amended to read as follows:

26 26-53-145. Food and food ingredients.

27 (a)(1) ~~The Secretary of the Department of Finance and Administration~~  
28 ~~shall determine the following conditions:~~

29 (A) ~~That federal law authorizes the state to collect sales~~  
30 ~~and use tax from some or all of the sellers that have no physical presence in~~  
31 ~~the State of Arkansas and that make sales of taxable goods and services to~~  
32 ~~Arkansas purchasers;~~

33 (B) ~~That initiating the collection of sales and use tax~~  
34 ~~from these sellers would increase the net available general revenues needed~~  
35 ~~to fund state agencies, services, and programs; and~~

36 (C)(i) ~~That during a six month consecutive period, the~~

1 amount of net available general revenues attributable to the collection of  
2 sales and use tax from sellers that have no physical presence in the State of  
3 Arkansas is equal to or greater than one hundred fifty percent (150%) of  
4 sales and use tax collected under subsection (c) of this section and § 26-52-  
5 317 on food and food ingredients.

6 (ii) ~~The secretary shall make the determination~~  
7 ~~under subdivision (a)(1)(C)(i) of this section on a monthly basis following~~  
8 ~~the determination that the conditions under subdivision (a)(1)(A) of this~~  
9 ~~section have been met.~~

10 (2)(A) ~~Beginning July 1, 2013, the secretary shall make a~~  
11 ~~monthly determination as to whether the aggregate amount of deductions from~~  
12 ~~net general revenues attributable to the following during the most recently~~  
13 ~~ended six-month consecutive period, as compared with the same six-month~~  
14 ~~period in the prior year, has declined by thirty-five million dollars~~  
15 ~~(\$35,000,000) or more:~~

16 (i) ~~The Educational Adequacy Fund;~~

17 (ii) ~~Bonds issued under the Arkansas College Savings~~  
18 ~~Bond Act of 1989, § 6-62-701 et seq.;~~

19 (iii) ~~Bonds issued under the Arkansas Higher~~  
20 ~~Education Technology and Facility Improvement Act of 2005, § 6-62-1101 et~~  
21 ~~seq.;~~

22 (iv) ~~The City-County Tourist Facilities Aid Fund;~~  
23 ~~and~~

24 (v) ~~Bonds issued under the Arkansas Water, Waste~~  
25 ~~Disposal and Pollution Abatement Facilities Financing Act of 1997 and the~~  
26 ~~Arkansas Water, Waste Disposal, and Pollution Abatement Facilities Financing~~  
27 ~~Act of 2007, § 15-20-1301 et seq.~~

28 (B)(i) ~~In making the determination in this subdivision~~  
29 ~~(a)(2), the secretary shall consider all economic factors existing at the~~  
30 ~~time of the determination that could potentially affect the decline in the~~  
31 ~~aggregate amount of deductions, including without limitation pending~~  
32 ~~litigation.~~

33 (ii) ~~If the consideration of additional economic~~  
34 ~~factors under subdivision (a)(2)(B)(i) of this section results in a~~  
35 ~~determination that the decline in the aggregate amount of deductions is not~~  
36 ~~likely to remain at that reduced level, the secretary shall conclude that the~~

1 ~~conditions in this subdivision (a)(2) have not been met.~~

2 ~~(3) When the secretary finds that all of the conditions in~~  
 3 ~~either subdivision (a)(1) or subdivision (a)(2) of this section have been~~  
 4 ~~met, then the compensating use taxes levied under subsection (c) of this~~  
 5 ~~section shall be levied at the rate of zero percent (0%) on the sale of food~~  
 6 ~~and food ingredients beginning on the first day of the calendar quarter that~~  
 7 ~~is at least thirty (30) days following the determination of the secretary.~~

8 ~~(b) As used in this section:~~

9 ~~(1) "Food" and "food ingredients" mean the same as defined in § 26-53-102~~  
 10 ~~except that "food" and "food ingredients" do not include prepared food; and~~

11 ~~(2) "Prepared food" means the same as defined in § 26-53-102~~  
 12 ~~except that "prepared food" does not include:~~

13 ~~(A) Food that is only cut, repackaged, or pasteurized by~~  
 14 ~~the seller; or~~

15 ~~(B) Eggs, fish, meat, and poultry, and foods containing~~  
 16 ~~these raw animal foods requiring cooking by the consumer to prevent food-~~  
 17 ~~borne illnesses as recommended by the United States Food and Drug~~  
 18 ~~Administration in its 2005 Food Code, § 3-401.11, as it existed on January 1,~~  
 19 ~~2007.~~

20 ~~(b) For the purposes of the Local Government Bond Act of 1985, § 14-~~  
 21 ~~164-301 et seq., § 26-52-303, §§ 26-52-606 – 26-52-607, §§ 26-73-110 – 26-73-~~  
 22 ~~113, § 26-74-201 et seq., § 26-74-301 et seq., § 26-74-401 et seq., § 26-74-~~  
 23 ~~601 et seq., § 26-75-201 et seq., § 26-75-301 et seq., § 26-75-401 et seq., §~~  
 24 ~~26-75-501 et seq., the Multicounty Airport and Riverport Financing Act, § 26-~~  
 25 ~~81-101 et seq., and the Local Sales and Use Tax Economic Development Project~~  
 26 ~~Funding Act, § 26-82-101 et seq., food and food ingredients are subject to~~  
 27 ~~taxation under this chapter.~~ ~~(c)(1) Beginning July 1, 2011, in lieu of the~~

28 ~~compensating use taxes levied on food and food ingredients under §§ 26-53-106~~  
 29 ~~and 26-53-107, there is levied a tax on the privilege of storing, using,~~  
 30 ~~distributing, or consuming food and food ingredients at the rate of one and~~  
 31 ~~three eighths percent (1.375%) to be distributed as follows:~~

32 ~~(A) Seventy six and six tenths percent (76.6%) of the~~  
 33 ~~taxes, interest, penalties, and costs received by the secretary under this~~  
 34 ~~subdivision (c)(1) shall be deposited as general revenues;~~

35 ~~(B) Eight and five tenths percent (8.5%) of the taxes,~~  
 36 ~~interest, penalties, and costs received by the secretary under this~~

1 ~~subdivision (c)(1) shall be deposited into the Property Tax Relief Trust~~  
2 ~~Fund; and~~

3 ~~(C) Fourteen and nine tenths percent (14.9%) of the taxes,~~  
4 ~~interest, penalties, and costs received by the secretary under this~~  
5 ~~subdivision (c)(1) shall be deposited into the Educational Adequacy Fund.~~

6 ~~(2) The use tax levied under subdivision (c)(1) of this section~~  
7 ~~shall be collected, reported, and paid in the same manner and at the same~~  
8 ~~time as is prescribed by law for the collection, reporting, and payment of~~  
9 ~~all other Arkansas compensating use taxes.~~

10 ~~(d) The following shall continue to apply to the sales price of food~~  
11 ~~and food ingredients:~~

12 ~~(1) The compensating use tax levied under Arkansas Constitution,~~  
13 ~~Amendment 75, § 2; and~~

14 ~~(2) All municipal and county use taxes.~~

15 ~~(e) The Department of Finance and Administration shall promulgate~~  
16 ~~rules to implement the provisions of this section.~~

17  
18 SECTION 15. EFFECTIVE DATE. Sections 1-14 of this act are effective  
19 on and after January 1, 2026.

20  
21 /s/Underwood  
22

23  
24 **APPROVED: 4/22/25**  
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