

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1346

Bill Subtitle: TO CREATE A SALES AND USE TAX EXEMPTION FOR THE PURCHASE OF A BUSINESS VEHICLE BY A FOOD PANTRY; AND TO CREATE A ONE-TIME REBATE OF STATE SALES AND USE TAX FOR THE PURCHASE OF A BUSINESS VEHICLE IN 2022 BY A FOOD PANTRY.

Basic Change :

Sponsors: Rep. Tosh and Sen. D. Wallace

HB1346 creates a sales and use tax exemption for the purchase of a business vehicle by a food pantry. HB1346 defines a "business vehicle" as a motor vehicle that is purchased by a food pantry to deliver food to recipients of the food pantry's service and is not used for the personal commuting of a staff member or executive of the food pantry. HB1346 defines a "food pantry" as a nonprofit corporation whose mission is to distribute food to people who have difficulty purchasing enough food to avoid hunger.

HB1346 contains temporary language to allow a food pantry that purchased a business vehicle in 2022 to apply for a rebate of the sales or use tax paid.

The exemption is effective on the first day of the second calendar month following the effective date of the act. For purposes of the Revenue Impact below, an effective date of September 1, 2023 is assumed.

Revenue Impact :

FY2024

Total Approximate State Sales and Use Tax Loss \$ - 17,500

(Estimated Effective Date 09/1/23 – Includes rebates retroactively dating back to CY22)

General Revenue - 4.5%	\$ - 11,740
Property Tax Relief - .5%	\$ - 1,304
Conservation Fund - .125%	\$ - 326
Educational Adequacy Fund - .875%	\$ - 2,283
Highway Fund - .5%	\$ - 1,346
Educational Excellence Trust Fund -	\$ - 0.00
Educational Adequacy (GR Transfer) -	\$ - 0.00
State Central Services -	\$ - 339
Constitutional Officers -	\$ - 162

Total Approximate Local City and County Sales and Use Tax Loss \$ - 675

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FY2025

Total Approximate State Sales and Use Tax Loss	\$ - 16,000	
General Revenue - 4.5%		\$ - 9,357
Property Tax Relief - .5%		\$ - 1,193
Conservation Fund - .125%		\$ - 298
Educational Adequacy Fund - .875%		\$ - 2,087
Highway Fund - .5%		\$ - 1,231
Educational Excellence Trust Fund -		\$ - 1,265
Educational Adequacy (GR Transfer) -		\$ - 112
State Central Services -		\$ - 310
Constitutional Officers -		\$ - 148
Total Approximate Local City and County Sales and Use Tax Loss	\$ - 600	

Taxpayer Impact :

An entity that meets the definition of a food pantry in accordance with this bill would no longer be responsible for paying sales tax on the purchase of a motor vehicle used for the delivery of food to recipients in conjunction with the food pantry service. Any food pantry that has purchased a motor vehicle for this purpose during the 2022 calendar year would be able to claim a rebate of the taxes previously paid on those purchases.

Resources Required :

The Arkansas Integrated Revenue System (AIRS) system will need to be programmed to accommodate this change. Requirements gathering, development, testing, and training will take approximately 180 hours at a cost of \$36,000. Recurring maintenance at a cost of \$2,000 annually would also be required.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Updates to the Sales and Use Tax rules will be promulgated as well as modifications to the tax database for motor vehicles will be required. Updates will be required to the Office of Motor Vehicle Manual and DFA website. Training for State Revenue Office clerks and Office Motor Vehicle staff will be required. The taxpayer community will also need to be educated. A new rebate request form must be created for the retroactive refund requests.

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Other Comments :

None.

Legal Analysis :

HB1346 contains temporary language that allows a food pantry that purchased a business vehicle in 2022 to obtain a rebate of the sales or use tax paid. HB1346 may benefit from an amendment to allow a rebate for a food pantry that purchased a business vehicle from January 1, 2023 to the effective date of the act because the bill would appear to exclude from the rebate a vehicle purchased during this period.

HB1346 may benefit from an amendment to allow the Department of Finance and Administration (DFA) to promulgate rules if necessary, rather than to require the promulgation of a potentially unnecessary rule.