



# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1476**

**Bill Subtitle: TO CREATE A SALES AND USE TAX EXEMPTION FOR ELECTRICITY SOLD TO A DATA CENTER; AND TO DECLARE AN EMERGENCY.**

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State Central Services -	\$ - 3,741
Constitutional Officers -	\$ - 1,782

<b>Total Approximate Local City and County Sales and Use Tax Loss</b>	<b>\$ - 64,333</b>
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**FY2025**

<b>Total Approximate State Sales and Use Tax Loss</b>	<b>\$ - 195,000</b>
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General Revenue - 4.5%	\$ - 110,889
Property Tax Relief - .5%	\$ - 14,535
Conservation Fund - .125%	\$ - 3,634
Educational Adequacy Fund - .875%	\$ - 25,436
Highway Fund - .5%	\$ - 15,000
Educational Excellence Trust Fund -	\$ - 14,535
Educational Adequacy (GR Transfer) -	\$ - 1,618
State Central Services -	\$ - 3,780
Constitutional Officers -	\$ - 1,800

<b>Total Approximate Local City and County Sales and Use Tax Loss</b>	<b>\$ - 65,000</b>
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**Taxpayer Impact :**

A data center that meets the requirements of HB1476 would no longer be responsible for paying sales and use taxes on its purchases of electricity. A data center would be required to obtain a certificate from DFA and separately meter the qualifying electricity prior to claiming this exemption.

**Resources Required :**

Five additional audit staff will be required to administer this new exemption process. Staff would review requests and eligibility as well as determine any limitation amounts of the exemption. Anticipated personnel cost totaling \$324,570.00 per year for one Tax Auditor Supervisor and four Tax Auditors. Programming changes for the Arkansas Integrated Revenue System (AIRS) is estimated at \$8,000.00.

**Time Required :**

Adequate time is provided for implementation.

**Procedural Changes :**

Updates to the Sales and Use Tax Rules will be promulgated and DFA staff would be trained on this update to existing Arkansas tax law.

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### **Other Comments :**

The bill provides for an immediate effective date of its approval by the Governor. Due to existing Arkansas tax law which requires the DFA to provide notification of this tax change and the requirements of the Streamlined Sales and Use Tax Agreement (SSUTA), the earliest this bill could become effective and comply with DFA's taxpayer notification requirements without being in violation of the law and the SSUTA agreement would be July 1, 2023.

### **Legal Analysis :**

None.