



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1250

Bill Subtitle: TO CREATE A SALES TAX HOLIDAY FOR DISASTER-PREPAREDNESS SUPPLIES TO ENCOURAGE DISASTER-PREPAREDNESS.

Sponsor:

Rep. Duffield

Basic Change:

HB1250 creates a sales tax holiday for purchases of certain disaster-preparedness supplies. "Disaster-preparedness supply" is an item purchased in preparation or response to a disaster, including any fire, flood, storm, tidal wave, earthquake, or similar public calamity, whether man-made, resulting from war, or resulting from natural causes. Disaster-preparedness supply only includes the following categories of items:

- Disaster-preparedness fastening supplies;
- Disaster-preparedness food-related supplies;
- Disaster-preparedness general supplies; and
- Disaster-preparedness safety supplies.

Disaster-preparedness fastening supply is defined as an item used for securing property or covering property that may be used in preparation or response to a disaster, and only includes a:

- Bungee cord;
- Rope;
- Ratchet strap;
- Duct tape;
- Boat anchor;
- Fender, anchor chain, dock line, or similar device;
- Tarpaulin and other flexible waterproof sheeting; and
- Ground anchor or tie down kit.

Disaster-preparedness food-related supply is defined as a food or food-related item that may be used in preparation or response to a disaster and only includes:

- Artificial ice;
- A water storage container;
- A manual can opener; and
- Bottled water.

Disaster-preparedness general supply is defined as a general-purpose item that may be used in preparation or response to a disaster and only includes a:

- Battery;
- Cellular telephone charger;
- Satellite phone;
- Self-powered light source;



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- Portable self-powered radio, two-way radio; weather-band radio, or National Oceanic and Atmospheric Administration weather radio;
 - Gas container or diesel fuel container;
 - Nonelectric food storage cooler;
 - Portable generator; and
 - Storm shutter device.

The bill defines "battery" as an A, AA, AAA, C, D, 6-volt, or 9-volt battery and a cellular telephone battery. The bill excludes an automobile battery or marine battery from the definition of battery.

Disaster-preparedness safety supply is defined as an item that may be used in preparation or response to a disaster, and only includes a:

- Carbon monoxide detector;
- Smoke detector;
- Fire extinguisher; and
- First-aid kit.

The sales tax holiday is to occur on the Saturday and Sunday of the first full weekend of each November.

HB1250 requires the Department of Finance and Administration (DFA) to promulgate rules to implement the provisions of the bill.

The bill is effective on the first day of the calendar quarter following the effective date of the act. For purposes of the fiscal impact below, an effective date of October 1, 2025 is assumed.

Fiscal Impact:

FY2026

Total Approximate State Sales and Use Tax Loss -\$2,162,694

(Estimated Effective Date 10/1/2025)

General Revenue - 4.5%	-\$1,450,835
Property Tax Relief - .5%	-\$161,204
Conservation Fund - .125%	-\$40,301
Educational Adequacy Fund - .875%	-\$282,107
Highway Fund - .5%	-\$166,361
Educational Excellence Trust Fund -	\$0
Educational Adequacy (GR Transfer) -	\$0
State Central Services -	-\$41,923
Constitutional Officers -	-\$19,963

Total Approximate Local City and County Sales and Use Tax Loss -\$1,097,983



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FY2027

Total Approximate State Sales and Use Tax Loss - \$2,227,574

General Revenue - 4.5%	-\$1,271,076
Property Tax Relief - .5%	-\$166,040
Conservation Fund - .125%	-\$41,510
Educational Adequacy Fund - .875%	-\$290,570
Highway Fund - .5%	-\$171,352
Educational Excellence Trust Fund -	-\$205,148
Educational Adequacy (GR Transfer) -	-\$18,135
State Central Services -	-\$43,181
Constitutional Officers -	-\$20,562

Total Approximate Local City and County Sales and Use Tax Loss - \$1,130,922

[National expenditure data was used to calculate cost per person per day which was multiplied by the state's population. An assumption was made that a month's worth of supplies may be purchased during the sales tax holiday.]

Taxpayer Impact:

A taxpayer would be able to purchase certain disaster-preparedness supplies exempt from sales or use tax during the first Saturday and Sunday of November each year.

Resources Required:

None.

Time Required:

Adequate time is allowed for implementation.

Procedural Changes:

DFA shall promulgate rules for the disaster-preparedness sales tax holiday. Sales tax holiday educational materials will be prepared for DFA staff and the taxpayer community.

Other Comments:

None.



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Legal Analysis:

The State of Arkansas is a full member state of the Streamlined Sales and Use Tax Agreement ("SSUTA"). If the State of Arkansas was determined to be in violation of the SSUTA, sanctions may be imposed and future collections of sales taxes from out-of-state sellers would be in jeopardy.

Section 322 of the SSUTA authorizes sales tax holidays with certain restrictions:

- The item to be excluded must be specifically defined in the SSUTA;
- Notice of the exemption period must be provided at least 60 days prior to the first day of the calendar month in which the exemption period will begin;
- An entity-based or use-based exemption must not apply; and
- A seller must not be required to obtain an exemption certificate or other certification from the purchaser for the items to be exempted during the sales tax holiday.

A member state is not in compliance with the SSUTA if the member state excludes any product or service that is included within a product definition or includes a product or service that is excluded from a product definition.

HB1250 would exempt the purchase of a "battery" during the sales tax holiday. HB1250 defines "battery" as: "an A, AA, AAA, C, D, 6-volt, or 9-volt battery and a cellular telephone battery." The SSUTA defines "battery" as "AAA, AA, C, D, 6 volt or 9 volt" and separately includes "cellular telephone batteries and charges." The definition of "battery" in the SSUTA does not include "A" batteries. To comply with the Agreement, the bill could be amended to remove "A" batteries from the definition of batteries for purposes of the sales tax holiday.

HB1250 may also benefit from an amendment to provide that DFA may promulgate rules if necessary, rather than requiring DFA to promulgate rules.