



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

Bill: HB1464

Bill Subtitle: TO CREATE A SALES AND USE TAX EXEMPTION FOR PARTS FOR AND REPAIR OF AGRICULTURAL EQUIPMENT AND MACHINERY.

Sponsors:

Reps. Vaught and Cavanaugh

Basic Change:

HB1464 creates a sales and use tax exemption for the sale of: (1) parts purchased to modify, replace, or repair, in whole or in part, existing agricultural equipment and machinery; and (2) services relating to the initial installation, alteration, addition, cleaning, refinishing, replacement, or repair of agricultural equipment and machinery. HB1464 provides definitions for "agricultural equipment and machinery" and "farming":

- "Farming" means the agricultural production of food or fiber as a business or the agricultural production of grass sod or nursery products as a business;
- "Agricultural equipment and machinery" means implements used exclusively and directly in farming, including:
 - Irrigation pipe used to carry water from an irrigation well to the crops produced in farming regardless of whether the irrigation pipe is used above ground or is buried underground;
 - Aviation machinery and equipment; and
 - Implements used to harvest crops produced in farming by others; and
- "Agricultural equipment and machinery" does not include implements used in the production and severance of timber, motor vehicles of a type subject to registration, or hand tools.

HB1464 is effective on the first day of the calendar quarter following the effective date of the act.

Fiscal Impact:

FY2026

Total Approximate State Sales and Use Tax Loss	-\$15,078,925
(Estimated Effective Date 10/1/2025 --- 8 months reduced tax collection)	
General Revenue - 4.5%	-\$10,126,078
Property Tax Relief - .5%	-\$1,125,120
Conservation Fund - .125%	-\$281,280
Educational Adequacy Fund - .875%	-\$1,968,960
Highway Fund - .5%	-\$1,159,917
Educational Excellence Trust Fund -	\$0
Educational Adequacy (GR Transfer) -	\$0
State Central Services -	-\$278,380
Constitutional Officers -	-\$139,190
Total Approximate Local City and County Sales and Use Tax Loss	-\$7,655,454



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

Bill: HB1464

Bill Subtitle: TO CREATE A SALES AND USE TAX EXEMPTION FOR PARTS FOR AND REPAIR OF AGRICULTURAL EQUIPMENT AND MACHINERY.

FY2027

Total Approximate State Sales and Use Tax Loss	-\$23,296,940
General Revenue - 4.5%	-\$14,086,388
Property Tax Relief - .5%	-\$1,738,310
Conservation Fund - .125%	-\$434,578
Educational Adequacy Fund - .875%	-\$3,042,043
Highway Fund - .5%	-\$1,792,072
Educational Excellence Trust Fund -	-\$1,431,827
Educational Adequacy (GR Transfer) -	-\$126,576
State Central Services -	-\$430,097
Constitutional Officers -	-\$215,049

Total Approximate Local City and County Sales and Use Tax Loss -\$11,827,677

[Expense data from USDA reports were used to calculate fiscal impact.]

Taxpayer Impact:

A taxpayer will no longer pay sales or use tax on parts purchased to modify, replace, or repair existing agricultural machinery and equipment or services relating to the initial installation, alteration, addition, cleaning, refinishing, replacement, or repair of agricultural equipment and machinery.

Resources Required:

None.

Time Required:

Adequate time is allowed for implementation.

Procedural Changes:

Department websites and staff training materials will need to be updated to include the proposed changes.

Other Comments:

None.



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

Bill: HB1464

Bill Subtitle: TO CREATE A SALES AND USE TAX EXEMPTION FOR PARTS FOR AND REPAIR OF AGRICULTURAL EQUIPMENT AND MACHINERY.

Legal Analysis:

§ 26-52-403 provides an exemption for machinery and equipment used exclusively and directly in the agricultural production of food or fiber as a business. HB1464 exempts the sale of tangible personal property and services to modify, replace, or repair existing agricultural equipment and machinery.

Under § 26-52-403(a)(1)(C), exempt farm equipment and machinery "shall not include implements used in the production and severance of timber, motor vehicles of a type subject to registration, airplanes, or hand tools." HB1464 specifically includes "aviation machinery and equipment" within the definition of "agricultural equipment and machinery" included in the exemption for repair parts and repair services. HB1464 may benefit from an amendment to harmonize the exemptions.