



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

Bill: HB1687

Bill Subtitle: TO PROVIDE THAT A WATER AUTHORITY IS EXEMPT FROM ALL EXCISE TAXES.

Sponsors:

Rep. K. Moore and Sen. Hester

Basic Change:

HB1687 amends the Water Authority Act to expand certain tax exemptions available to eligible water authorities.

Under current law, each project by a water authority and all income from each project is exempt from ad valorem taxation. HB1687 expands the exemption so that a water authority is exempt from ad valorem taxation on all of its property and income from each project, and is additionally exempt from all excise taxes.

HB1687 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	-\$13,650,000
(Estimated Effective Date 10/1/2025 --- 8 months reduced tax collection)	
General Revenue - 4.5%	-\$9,166,500
Property Tax Relief - .5%	-\$1,018,500
Conservation Fund - .125%	-\$254,625
Educational Adequacy Fund - .875%	-\$1,782,375
Highway Fund - .5%	-\$1,050,000
Educational Excellence Trust Fund -	\$0
Educational Adequacy (GR Transfer) -	\$0
State Central Services -	-\$252,000
Constitutional Officers -	-\$126,000
Total Approximate Local City and County Sales and Use Tax Loss	-\$6,930,000

FY2027

Total Approximate State Sales and Use Tax Loss	-\$21,089,250
General Revenue - 4.5%	-\$12,751,518
Property Tax Relief - .5%	-\$1,573,583
Conservation Fund - .125%	-\$393,396



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

Bill: HB1687

Bill Subtitle: TO PROVIDE THAT A WATER AUTHORITY IS EXEMPT FROM ALL EXCISE TAXES.

Educational Adequacy Fund - .875%	-\$2,753,769
Highway Fund - .5%	-\$1,622,250
Educational Excellence Trust Fund -	-\$1,296,143
Educational Adequacy (GR Transfer) -	-\$114,581
State Central Services -	-\$389,340
Constitutional Officers -	-\$194,670

Total Approximate Local City and County Sales and Use Tax Loss -\$10,706,850

[Fiscal impact based on average water bill with a percentage of the cost dedicated to infrastructure and other operating costs associated with a water authority.]

Taxpayer Impact:

A water authority formed under § 4-35-101 et seq will be exempt from all excise taxes.

Resources Required:

None.

Time Required:

Adequate time is allowed for implementation.

Procedural Changes:

Websites and staff training manuals will need to be updated to account for the changes.

Other Comments:

None.

Legal Analysis:

HB1687 may benefit from an amendment to add language to subchapter 4 of the Gross Receipts Tax Act, § 26-52-101 et seq., which is the subchapter providing that certain transactions are exempt from sales tax. An amendment to the Gross Receipts Tax Act stating that gross receipts or gross proceeds derived from sales to a water authority are exempt from sales tax would facilitate tax administration and assist the public in researching tax laws.