



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

Bill: HB1688

Bill Subtitle: TO AMEND ARKANSAS LAW CONCERNING THE USE OF A DEALER'S EXTRA LICENSE PLATE.

Sponsors:

Rep. Cavanaugh

Basic Change:

HB1688 expands the dealer's extra license plate program to:

- Authorize additional individuals associated with a dealership to use a dealer's extra license plate;
- Increase the types of activities that are allowable under the program; and
- Insulate the dealership from any tax implications from actions taken involving a dealer's extra license plate.

Under current law, a motor vehicle dealership may place a dealer's extra license plate on a car for sale to be used by specified individuals for authorized purposes. Authorized individuals include: dealers, managers, and salespersons. HB1688 adds "owners" and "officers" to the list of authorized individuals that may use a dealer's extra license plate. HB1688 defines a manager to include a regional manager, division manager, department manager, and sales manager.

Under current law, a vehicle with a dealer's extra license plate may be used for the following authorized purposes:

- To drive to and from work;
- For business or personal trips inside or outside the dealer's county of residence;
- To transport the vehicle; or
- To demonstrate the vehicle.

HB1688 adds two additional authorized uses:

- To drive the vehicle in community related events, including without limitation parades, car shows, festivals, fairs, trade shows, and school or university events; or
- To comply with a manufacturer's terms of dealership sales and service agreement.

Additionally, HB1688 deems any use of a vehicle with a dealer's extra license plate to not constitute a withdrawal from stock for sales and use tax purposes. This expressly includes use by "persons not authorized" to be issued a vehicle with a dealer's extra license plate under the program.

Fiscal Impact:

None.



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Taxpayer Impact:

HB1688 clarifies the authorized persons and uses of dealer's extra license plates. Misuse of a dealer's plate may result in fines and plate suspension. Use of a vehicle with dealer plates by an authorized or authorized person shall not be considered a withdrawal from stock from sales and use tax purposes.

Resources Required:

None.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

Updates will be required to the Office of Motor Vehicle (OMV) manual and the Department of Finance and Administration website. Training and Review sessions will be conducted for State Revenue Office, Office of Drivers Services, and Office of Motor Vehicle employees and staff. Sales and Use Tax rules and instructions may need to be updated. Department employees and the community will need to be educated.

Other Comments:

None.

Legal Analysis:

In *Department of Finance and Administration v. Trotter Ford, Inc.*, 2024 Ark. 31, the Arkansas Supreme Court held that the dealership was subject to sales tax on the use of certain vehicles because the use constituted a taxable withdrawal from stock. Individuals who were not authorized to use a dealer's extra license plate, such as the general manager's wife and an owner's child in another state, used vehicles with dealer's extra license plates without the dealership remitting sales tax on the vehicles as a withdrawal from stock. HB1688 would exempt similar uses of vehicles from sales tax if a dealer's extra license plate was attached.

HB1688 would benefit from an amendment to clarify that attaching a dealer's extra license plate to a vehicle does not permanently exempt that vehicle from all future sales and use taxes. The language "motor vehicle for sale to which a dealer's extra license plate has been attached.... [a]re otherwise exempt [from sales and use tax]. . . ." could be interpreted as granting a perpetual exemption. (emphasis added).