



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

Bill: HB1738

Bill Subtitle: TO PROVIDE A SALES AND USE TAX EXEMPTION FOR DISABLED VETERANS.

Sponsors:

Reps. Crawford, Barnes, S. Berry, Breaux, John Carr, Cooper, Duffield, Ennett, Garner, Gonzales Worthen, Gramlich, Hollowell, Hudson, L. Johnson, Lynch, McClure, McCullough, McElroy, McGruder, Nazarenko, J. Richardson, Richmond, Rose, Rye, and Steimel

Sens. Boyd and Clark

Basic Change:

HB1738 creates a state sales and use tax exemption for purchases by a disabled veteran or a member of the disabled veteran's household who is authorized to make purchases on behalf of and for the benefit of the veteran. A person is a "disabled veteran" if they qualify for the property tax exemption provided by § 26-3-306. Under § 306, a disabled veteran is someone who has been awarded special monthly compensation by the United States Department of Veteran's Affairs (DVA) for the loss of, or the loss of use of, one or more limbs, for total blindness in one or both eyes, or for service-connected 100% total and permanent disability.

To claim the exemption, a disabled veteran must submit a letter to the Arkansas Department of Finance and Administration (DFA) from the DVA certifying the person as a disabled veteran and obtain an identification card from DFA. Each member of the disabled veteran's household who is authorized to make purchases on the veteran's behalf must also obtain an identification card from DFA before making tax exempt purchases.

HB1738 provides that the maximum amount of sales that qualify for the exemption during a year is \$25,000 for each disabled veteran. DFA may request the taxpayer claiming the exemption to provide a statement, under oath, certifying that they have not made purchases exceeding the \$25,000 annual limitation amount. DFA may take all steps allowed by law to recover the sales and use tax due on exempt sales exceeding the \$25,000 annual limit directly from the disabled veteran or household member, plus interest and penalty. Any person claiming the exemption with a purpose to defraud may be guilty of a Class C misdemeanor.

DFA is required to adopt rules to implement and administer this exemption.

HB1738 will be 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 -\$19,221,583

(Estimated Effective Date 10/1/2025 --- 8 months reduced tax collection)

General Revenue - 4.5% -\$12,908,032



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Property Tax Relief - .5%	-\$1,434,226
Conservation Fund - .125%	-\$358,556
Educational Adequacy Fund - .875%	-\$2,509,895
Highway Fund - .5%	-\$1,478,583
Educational Excellence Trust Fund -	\$0
Educational Adequacy (GR Transfer) -	\$0
State Central Services -	-\$354,860
Constitutional Officers -	-\$177,430

Total Approximate Local City and County Sales and Use Tax Loss -\$9,758,650

FY2027

Total Approximate State Sales and Use Tax Loss -\$29,697,346

General Revenue - 4.5%	-\$17,956,364
Property Tax Relief - .5%	-\$2,215,879
Conservation Fund - .125%	-\$553,970
Educational Adequacy Fund - .875%	-\$3,877,788
Highway Fund - .5%	-\$2,284,411
Educational Excellence Trust Fund -	-\$1,825,196
Educational Adequacy (GR Transfer) -	-\$161,350
State Central Services -	-\$548,259
Constitutional Officers -	-\$274,129

Total Approximate Local City and County Sales and Use Tax Loss -\$15,077,114

[The current number of 100% disabled veterans was obtained from the Arkansas Dept of Veterans Affairs and the maximum total amount of taxable sales of \$25,000 per year was used to calculate the fiscal impact.]

Taxpayer Impact:

A disabled veteran, or a household member who is authorized to make purchases on behalf of and for the benefit of the disabled veteran in the disabled veteran's absence, will be eligible for a sales and use tax exemption up to a maximum of \$25,000 in purchases per year.

Resources Required:

Estimated programming costs for the Arkansas Integrated Revenue System (AIRS) create and implement a sales tax exemption card for disabled veterans is estimated at \$340,000.00 with \$20,000.00 annual maintenance cost.

Additional staff would be required for issuing cards to eligible persons and develop and administer a new exemption program:



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- (1) Statewide Program Coordinator R041C GS11 – \$85,008
- (2) Fiscal Support Analysts A091C GS05 - \$47,869=\$95,738
- (2) Tax Auditor II A054C GS09 - \$ 69,834 each, total = \$139,668

Time Required:

Additional time would be required to create the exemption cards.

Procedural Changes:

Computer programs, websites and training manuals will need to be updated to account for the changes.

Other Comments:

None.

Legal Analysis:

The Streamlined Sales and Use Tax Agreement, § 323, prohibits exemptions based on the value of the transaction or item or that have a cap or threshold unless the state assumes administrative responsibility so that no additional burden is placed on the retailer.