



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

Bill: SB49

Bill Subtitle: TO AMEND THE LAW CONCERNING THE SALES AND USE TAX APPLICABLE TO PURCHASES OF NEW OR USED MOTOR VEHICLES, TRAILERS, SEMITRAILERS, AND MOTORBOATS; AND TO SUBJECT CERTAIN USED MOTORBOATS TO A SPECIAL RATE OF TAX.

Sponsors:

Sen. Boyd and Rep. Johnson

Basic Change:

SB49 revises the method of collection of sales and use tax on motorboats, provides a tax exemption or a reduced tax rate for certain motorboat sales, and reduces the sales and use tax rates applicable to sales of certain used motor vehicles.

Sales and Use Tax on Sales of Motorboats --- Current law requires the purchaser of a new or used motorboat to register the motorboat with the Department of Finance and Administration (DFA) and obtain a certificate of number within 30 days of the date of purchase. Sales tax is collected by a business engaged in selling motorboats at the point of sale and the business must remit the taxes to DFA.

SB49 requires the purchaser of a motorboat to pay sales or use tax directly to DFA instead of the seller collecting tax at the point of sale. SB49 requires the tax be paid by the purchaser at or before the time of application for a certificate of number. The tax is due regardless of whether the motorboat is purchased from a boat dealer, an individual, or another business, and the isolated sales exemption does not apply. A 10% penalty is imposed for failure to pay the tax when due. SB49 requires the payment of sales and use tax on motorboats in the same manner as currently required for payment of tax on motor vehicles and trailers.

SB49 provides that both new and used motorboats costing less than \$4,000 are exempt from sales and use tax. The sale of a new motorboat is subject to the full sales and use tax rate if the total consideration for the sale is \$4,000 or more. A reduced sales tax rate of 3.5% is imposed on the sale of a used motorboat costing at least \$4,000 but less than \$10,000. The 3.5% rate consists of the statutory rate of 2.875% and the 0.625% tax rate levied in the Arkansas Constitution. The sale of a used motorboat costing more than \$10,000 is subject to the full state sales and use tax rate of 6.5%.

Under SB49, when a used motorboat is traded in as partial payment on the sale of another new or used motorboat, sales or use tax will be due on the difference between the consideration paid for the newly acquired motorboat and the credit provided for the used motorboat that was taken in trade. If a used motorboat is sold in a private sale rather than traded in, the proceeds from the sale may be taken as a credit against the purchase price of the replacement motorboat. The credit is only available if the used motorboat is sold within 60 days of the purchase of the replacement motorboat and the purchaser provides a fully completed bill of sale at the time of registration. No credit is available for taxes paid to another state.



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SB49 requires a dealership to register and remit sales tax on a service motorboat removed from its inventory. A "service motorboat" is defined as a motorboat driven exclusively by an employee of the dealership and used either to transport dealership customers or dealership parts and equipment. SB49 provides a sales tax exemption for parts and accessories purchased by motorboat sellers for resale or to be used to rebuild used motorboats. A motorboat sold by the original franchise dealer to any other dealer, person, corporation, or other entity other than a franchise dealer of the same make of motorboat is subject to sales tax.

Sales and Use Tax on Sales of Motor Vehicles --- Currently, a used motor vehicle costing less than \$4,000 is exempt from sales or use tax, a used motor vehicle costing at least \$4,000 but less than \$10,000 is subject to a tax rate of 3.5%, and a used motor vehicle costing \$10,000 or more is taxed at 6.5%. SB49 reduces the sales and use tax rate applicable to sales of certain used motor vehicles by providing that a used vehicle having a purchase price of less than \$10,000 is not subject to tax, that a used vehicle having a purchase price of at least \$10,000 but less than \$15,000 is subject to a reduced sales and use tax rate of 3.5%, and that a used motor vehicle having a purchase price of greater than \$15,000 is taxed at the full sales and use tax rate of 6.5%.

SB49 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 -\$6,937,850

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

General Revenue -	-\$4,596,182
Property Tax Relief -	-\$509,497
Conservation Fund -	-\$144,560
Educational Adequacy Fund -	-\$894,297
Highway Fund -	-\$596,740
Educational Excellence Trust Fund -	\$0
Educational Adequacy (GR Transfer) -	\$0
State Central Services -	-\$133,163
Constitutional Officers -	-\$63,411

Total Approximate Local City and County Sales and Use Tax Loss -\$1,574,665



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FY2027

Total Approximate State Sales and Use Tax Loss -\$10,718,977

General Revenue -	-\$6,393,748
Property Tax Relief -	-\$787,172
Conservation Fund -	-\$223,346
Educational Adequacy Fund -	-\$1,381,689
Highway Fund -	-\$921,963
Educational Excellence Trust Fund -	-\$649,900
Educational Adequacy (GR Transfer) -	-\$57,452
State Central Services -	-\$205,737
Constitutional Officers -	-\$97,970

Total Approximate Local City and County Sales and Use Tax Loss -\$2,355,207

Taxpayer Impact:

A taxpayer who purchases a used motor vehicle with a sales price of less than \$10,000 will not pay sales or use tax. A taxpayer who purchases a used motor vehicle with a sales price of at least \$10,000, but less than \$15,000, will pay sales or use tax at the reduced state tax rate of 3.5%. A taxpayer who purchases a used motor vehicle with a sales price of \$15,000 or more will pay sales or use tax at the full 6.5% state tax rate.

A taxpayer who purchases a new or used motorboat with a sales price of less than \$4,000 will not pay sales or use tax. A taxpayer who purchases a new motorboat with a sales price of \$4,000 or more will pay sales or use tax at the full 6.5% state tax rate. A taxpayer who purchases a used motorboat with a sales price of at least \$4,000, but less than \$10,000, will pay sales or use tax at the reduced state tax rate of 3.5%. A taxpayer who purchases a used motorboat with a sales price of \$10,000 or more will pay sales or use tax at the full 6.5% state tax rate. A taxpayer who purchases a motorboat will be allowed to pay on the net difference between the total consideration for the new or used motorboat sold and the credit for the used motorboat taken in trade. Sales tax will be paid at the time of registration.

Resources Required:

The Arkansas Integrated Revenue System (AIRS) motor vehicle system will need programming changes with a cost estimate of \$76,000. No changes are needed for AIRS Tax (changes will occur in AIRS DSMV).

Two additional staff positions will be required to administer this process. Staff would review motor vehicle and motorboat registrations with trade-in information, determine eligibility of credit, and verify



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the correct tax amount was paid at the time of registration. The anticipated personnel cost totaling \$95,738 per year is for two Fiscal Support Analysts.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

Updates will be required to the Office of Motor Vehicle (OMV) manual and the DFA website. Training and review sessions will be conducted for State Revenue Office, Office of Driver Services, and Office of Motor Vehicle (DSMV) staff. Notification will also be provided to the taxpayer community and the Arkansas Game and Fish Commission.

Other Comments:

None.

Legal Analysis:

SB49 may benefit from an amendment to exclude motorboats from the provisions of § 26-52-401(22) similarly to used automobiles and aircraft.