



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

Bill: SB82

Bill Subtitle: TO INCREASE THE SALES AND USE TAX EXEMPTION FOR USED MOTOR VEHICLES; AND TO AMEND THE REDUCED SALES AND USE TAX RATE APPLICABLE TO PURCHASES OF USED MOTOR VEHICLES.

Sponsors:

Sen. Payton

Basic Change:

Under SB82, the reduced sales and use tax rate of 3.5% would apply to the sale of a used motor vehicle having a sales price of at least \$10,000 but less than \$15,000. The 3.5% tax rate consists of the 2.875% statutory rate and the 0.625% sales and use taxes levied by Amendments 75 and 101 to the Arkansas Constitution for conservation and highways. SB82 increases the sales and use tax exemption on the sale of a used motor vehicle having a sales price of less than \$4,000 to \$10,000. The sale of a used vehicle having a sales price of \$15,000 or more is subject to the full sales and use tax rate.

Under current law, the sale of a used vehicle having a sales price of less than \$4,000 is exempt from tax, the sale of a used vehicle with a sales price of at least \$4,000 but less than \$10,000 is subject to the reduced tax rate, and the sale of a used vehicle for \$10,000 or more is subject to the full sales and use tax rate. SB82 does not alter current law regarding the tax rates applicable to new motor vehicles or new or used trailers and semitrailers.

SB82 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 -\$12,426,635

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

General Revenue - 76.6% of 2.875%	-\$8,271,711
Property Tax Relief - 8.5% of 2.875%	-\$917,879
Conservation Fund - .125%	-\$248,566
Educational Adequacy Fund - 14.9% of 2.875%	-\$1,608,988
Highway Fund - .5%	-\$1,026,073
Educational Excellence Trust Fund -	\$0
Educational Adequacy (GR Transfer) -	\$0
State Central Services -	-\$239,412
Constitutional Officers -	-\$114,006

Total Approximate Local City and County Sales and Use Tax Loss -\$1,725,546



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FY2027

Total Approximate State Sales and Use Tax Loss	-\$19,199,151
General Revenue - 76.6% of 2.875%	-\$11,506,777
Property Tax Relief - 8.5% of 2.875%	-\$1,418,123
Conservation Fund - .125%	-\$384,035
Educational Adequacy Fund - 14.9% of 2.875%	-\$2,485,887
Highway Fund - .5%	-\$1,585,283
Educational Excellence Trust Fund -	-\$1,169,620
Educational Adequacy (GR Transfer) -	-\$103,396
State Central Services -	-\$369,891
Constitutional Officers -	-\$176,139
Total Approximate Local City and County Sales and Use Tax Loss	-\$2,588,319

Taxpayer Impact:

A taxpayer purchasing a used motor vehicle with selling price less than \$10,000 would not pay sales or use tax on that purchase. A taxpayer purchasing a used motor vehicle with selling price of at least \$10,000 but less than \$15,000 would pay sales or use tax at the reduced 3.5% rate.

Resources Required:

The Arkansas Integrated Revenue System (AIRS) for Driver Service/Motor Vehicle (DSMV) will need to be modified with a projected cost of \$76,000.

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.

Other Comments:

None.

Legal Analysis:

None.