



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

Bill: Amendment JAP066 to HB1068

**Bill Subtitle: AN ACT FOR THE DEPARTMENT OF FINANCE AND ADMINISTRATION
APPROPRIATION FOR THE 2026-2027 FISCAL YEAR.**

Sponsor:

Rep. Cavanaugh

Basic Change:

Amendment JAP066 to HB1068 provides that gross receipts tax (sales tax) would not apply to a credit card processing fee under certain conditions. Section 26-52-103 of the Gross Receipts Act of 1941 provides several definitions that govern the application of gross receipts tax. "Gross receipts", "gross proceeds", and "sales price" share a definition under § 26-52-103 and are interchangeable terms for purposes of the gross receipts tax statutes. The amendment amends the definition of "gross receipts" to provide that sales tax would not apply to a credit card processing fee that is charged as part of a sale and is separately stated on the invoice, bill of sale, or similar document given to the purchaser.

The amendment 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, 2026, is assumed.

Fiscal Impact:

[Information obtained by the Department of Finance and Administration (DFA) estimated that Arkansas businesses paid more than \$600 million in credit card swipe fees in 2022. DFA does not have data to determine the percentage of the \$600 million in swipe fees that are attributable to transactions that are subject to sales tax.

Based upon the \$600 million in estimated swipe fees, DFA estimated a state sales tax loss of up to \$39 million and a local sales tax loss of up to \$19.8 million would apply if the exemption was in effect in 2022. Based on a 3% yearly inflation increase, DFA calculated the FY2027 (eight months of collections) state sales tax loss of up to \$29.6 million and local sales tax loss of up to \$15 million and FY2028 state sales tax loss of up to \$45.7 million and local sales tax loss of up to \$23.2 million. The fiscal impact below provides the maximum estimated state and local sales tax loss to provide the exemption under amendment JAP066.]

FY2027

Total Approximate State Sales and Use Tax Loss	\$29,613,984
General Revenue - 4.5%	\$19,886,929
Property Tax Relief - .5%	\$2,209,659
Conservation Fund - .125%	\$552,415
Educational Adequacy Fund - .875%	\$3,866,903
Highway Fund - .5%	\$3,416,998
Educational Excellence Trust Fund -	\$0
Educational Adequacy (GR Transfer) -	\$0
State Central Services -	\$546,720
Constitutional Officers -	\$273,360



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Total Approximate Local City and County Sales and Use Tax Loss \$15,034,792

FY2028

Total Approximate State Sales and Use Tax Loss \$45,753,605

General Revenue - 4.5%	\$26,134,408
Property Tax Relief - .5%	\$3,413,923
Conservation Fund - .125%	\$853,481
Educational Adequacy Fund - .875%	\$5,974,365
Highway Fund - .5%	\$3,519,508
Educational Excellence Trust Fund -	\$4,218,018
Educational Adequacy (GR Transfer) -	\$372,880
State Central Services -	\$844,682
Constitutional Officers -	\$422,341

Total Approximate Local City and County Sales and Use Tax Loss \$23,228,754

Taxpayer Impact:

A taxpayer would no longer be subject to sales tax on a credit card processing fee charged by a seller as part of a sale that is separately stated on an invoice, bill of sale, or similar document provided to the purchaser.

Resources Required:

None.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

None.

Other Comments:

None.

Legal Analysis:

The State of Arkansas is a full member of the Streamlined Sales and Use Tax Agreement (SSUTA). The SSUTA provides that each member of SSUTA must utilize common definitions as provided in the SSUTA. Arkansas's current definition of "gross receipts" or "sales price" is substantially similar to the



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definition of "sales price" provided in the SSUTA. Both Arkansas's and SSUTA's definitions exclude several items from "sales price" under certain conditions, such as qualifying discounts, interest, or other taxes imposed on consumers and stated separately on an invoice. Contrary to the bill, the SSUTA definition does not exclude a credit card processing fee separately stated on an invoice from the definition of "sales price."

The definition provided in the amendment potentially raises compliance issues with the SSUTA. If the state of Arkansas was determined to be in violation of the SSUTA, sanctions may be imposed and future collections of sales taxes from out-of-state sellers could be jeopardized.

Additionally, the definition of "gross receipts" currently provided in the Gross Receipts Act of 1941 is substantially similar to the definition of "sales price" under the Arkansas Compensating Tax Act, § 26-53-101 et seq. Under the amendment, credit card processing fees could be excluded from sales tax if separately stated on an invoice; however, the definition of "sales price" under the compensating use tax statutes would not include a similar exclusion. Because in-state and out-of-state sellers are treated differently under the bill, it potentially raises constitutional issues on the basis of discriminating against interstate commerce.