



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

Bill: Amendment JAP084 to HB1068

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

Sponsor:

Rep. Vaught

Basic Change:

Amendment JAP084 to HB1068 creates a sales and use tax exemption for the sale of material used to construct fencing for livestock, including without limitation:

- Wire;
- Posts; and
- Electric fence wire.

Amendment JAP084 to HB1068 also creates a sales and use tax exemption for the sale of certain tractor parts and labor, including:

- Parts to be installed on a tractor before the installation of a diesel exhaust fluid system; and
- Services relating to the installation of parts on a tractor before the installation of a diesel exhaust fluid system.

JAP084 would be effective on July 1, 2026.

Fiscal Impact:

FY2027 (Fencing)

Total Approximate State Sales and Use Tax Loss	\$5,703,333
General Revenue - 4.5%	\$3,830,007
Property Tax Relief - .5%	\$425,556
Conservation Fund - .125%	\$106,389
Educational Adequacy Fund - .875%	\$744,724
Highway Fund - .5%	\$438,718
Educational Excellence Trust Fund -	\$0
Educational Adequacy (GR Transfer) -	\$0
State Central Services -	\$105,292
Constitutional Officers -	\$52,646

Total Approximate Local City and County Sales and Use Tax Loss \$2,895,538



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FY2028 (Fencing)

Total Approximate State Sales and Use Tax Loss	\$5,874,433
General Revenue - 4.5%	\$3,355,469
Property Tax Relief - .5%	\$438,323
Conservation Fund - .125%	\$109,581
Educational Adequacy Fund - .875%	\$767,065
Highway Fund - .5%	\$451,879
Educational Excellence Trust Fund -	\$541,563
Educational Adequacy (GR Transfer) -	\$47,875
State Central Services -	\$108,451
Constitutional Officers -	\$54,226
Total Approximate Local City and County Sales and Use Tax Loss	\$2,982,404

[There are approximately six million acres of livestock farms in Arkansas. Fiscal impact assumes an estimated 1.2 billion feet of fencing at \$1.40 per square foot cost for fencing and a 20-year lifespan.]

Fiscal impact for tractor parts is undetermined. An exemption for sales of all agricultural repair parts and repair services would result in a full-year sales and use tax loss of \$23,296,940 and local sales and use tax loss of \$11,827,677. Tractor repair parts and services relating to the installation of a diesel exhaust fluid system would be a undetermined percentage of this total.]

Taxpayer Impact:

A taxpayer would no longer pay sales or use tax on materials to construct fencing for livestock or parts and services relating to the installation of a diesel exhaust fluid system on a tractor.

Resources Required:

None.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

Websites and training manuals will need to be updated.



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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 Arkansas can exempt products from sales and use tax as a product-based exemption. SSUTA provides that if the agreement does not have a definition for a product, then a member state may enact a product-based exemption without restriction.

The amendment seeks to exempt fencing materials and certain tractor parts and related services from sales and use tax. Because SSUTA does not include definitions for any of those items, the amendment does not present any compliance issues in regard to SSUTA.

The amendment may benefit from the addition of a definition for fencing materials.