



STATE OF ARKANSAS
**Department of Finance
and Administration**
<http://www.arkansas.gov/dfa>

SALES & USE TAX SECTION
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December 1, 2007

Notice to Consumer Use Tax Filers
Sales and Use Tax Changes Effective January 1, 2008

Arkansas taxpayers making taxable purchases from out-of-state vendors that do not collect the Arkansas state and local sales or use tax will report consumer use tax on those purchases on their ET-400 reporting form. City and county use taxes will be reported on the purchases based on where the merchandise is first delivered or where the purchaser takes receipt of taxable services.

Sourcing of Purchases: Beginning January 1, 2008, consumer use tax filers will remit state and local use taxes based on the rates applicable to the city and county where they take receipt or delivery of the purchase. The terms "receive" and "receipt" mean taking possession of tangible personal property or making first use of services. The terms do not include possession by a shipping company on behalf of a purchaser.

Taxation of Services – Out-of-State Purchases: Beginning January 1, 2008, services subject to tax under Arkansas sales and use tax code provisions that are purchased from vendors located outside of Arkansas are also subject to use tax in Arkansas if first use of the service occurs within the State. Local use tax is due based on the place of receipt of the service. Credit will be given for taxes legally imposed and paid to the vendor in the state where the taxable service was performed.

Rebates or Refunds of Additional Local Tax Paid: Beginning January 1, 2008, local tax caps on single transactions will no longer apply when sellers collect city and county sales and use taxes. Business purchasers are eligible for a rebate or refund of the additional local tax paid on qualifying business purchases if tax is remitted to the seller on purchase invoices that exceed \$2500.00 or when self accruing the tax. For purposes of determining eligibility of the rebate for taxes paid to the seller and for determining eligibility when self accruing, a qualifying business purchase is defined to mean a purchase of tangible personal property or a taxable service for which a business may claim a business expense deduction or depreciation deduction for federal income tax purposes. To calculate the rebate or refund amount and the limits when self accruing the tax, a uniform single transaction definition has been adopted effective January 1, 2008:

"Single transaction shall mean any sale of tangible personal property or taxable service reflected on a single invoice, receipt, or statement for which an aggregate sales or use tax amount has been reported or remitted to the state for a single local taxing jurisdiction."

Claiming Local Tax Rebates on Monthly Reporting Forms: Please see DFA's special mailing dated December 1, 2007 regarding "Changes in Arkansas Sales and Use Tax Law Effective January 1, 2008", which provided instructions for registered businesses to claim rebates and refunds of the additional local taxes paid to sellers on invoice purchases that exceed \$2,500.

Claiming Local Tax Rebates when Self-Accruing the Local Tax: For purchases on which consumer use tax filer is self-accruing state and local taxes, the taxable amount to be reported for local taxes for each purchase invoice should be limited to a \$2,500.00 amount. This procedure will allow the business purchaser to "self-rebate" the additional local tax at time of tax payment to DFA and avoid the necessity of remitting local tax on the total invoice amount and subsequently requesting rebates and refunds on eligible transactions. This is the same accounting and reporting procedure as the current practice of capping each invoice with the exception of applying the new single transaction definition that is applicable for all local taxing jurisdictions.

Should you have any questions, you are encouraged to contact the Sales and Use Tax Section at (501) 682-7104 or you may visit our website at: www.state.ar.us/salestax. If you prefer to e-mail your questions, the e-mail address for the Sales and Use Tax Section is sales.tax@rev.state.ar.us.

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