



STATE OF ARKANSAS
**Department of Finance
and Administration**

Nexus & Discovery Unit
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***A one-time opportunity to meet your Use Tax obligation,
with no penalty and with liability period reduced***

Our records show that your business is registered for Arkansas Sales Tax and Income Withholding Tax but not Arkansas Compensating Use Tax. The Department of Finance & Administration has identified your business as one that may owe Arkansas Compensating Use Tax (Arkansas Code Ann. §26-53-101).

Compensating Use Tax is due when tangible personal property or taxable services are purchased from a vendor located outside of Arkansas and no sales tax is paid at the time of purchase and the item purchased is stored, used or consumed in Arkansas. Purchases on which no tax was charged/paid are subject to Compensating Use Tax regardless of how they originated (e.g., telephone orders, internet orders, catalog orders). Many businesses meet their Compensating Use Tax obligation by paying tax to the vendor. However, many times tax is not paid for reasons that include (1) the vendor did not charge tax, (2) the vendor did not charge the proper amount of tax, or (3) an exemption from the tax was claimed in error.

A common reason that a vendor is not charging the correct tax is that some out-of-state vendors are not required to collect Arkansas Tax as they have not established nexus with the state of Arkansas. If a vendor does not charge tax, your business is still obligated to pay the tax. In regards to untaxed purchases made from vendors located outside the state of Arkansas, the Arkansas Compensating Use Tax is to be paid directly to the Department of Finance & Administration. Please see the enclosed Arkansas Compensating Use Tax Fact Sheet for more information on Compensating Use Tax along with common examples of when the tax is due.

We believe that you may not recognize your Compensating Use Tax obligations. We are offering you the opportunity to come forward and pay, without penalty, any Compensating Use Tax owed for the last three years. To participate in this program, please refer to the next page for a list of required information that is to be sent to the Office of Field Audit – Nexus & Discovery Unit by March 7, 2011.

When reviewing your Compensating Use Tax responsibilities, you may find that you also have an obligation to collect and remit Arkansas Sales Tax on sales to customers. If you find that you have a Sales Tax obligation, you can include this information on the Sales Tax schedule that is attached and you will receive the same penalty waiver and reduced examination period.

Please see the enclosed Arkansas Use Tax Fact Sheet for common examples of situations where businesses would owe Use Tax.

By participating in this Voluntary Disclosure Use Tax program

- Your liability is limited to the last three years, and
- Late file penalty and late payment penalty will be abated; however, interest is due.

In order to receive the benefits of this program, please provide all of the following:

1. Complete the enclosed Arkansas Use Tax Compliance Work Sheet or create your own work sheet that includes the same information as shown on the attached form. If you need more than one preprinted work sheet, you can make copies.
3. Pay the tax and interest you owe when billed.
4. Include a copy of this letter with your response.
5. Send all of the above by March 7, 2011, to:

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
NEXUS AND DISCOVERY UNIT
PO BOX 3215
Little Rock, Arkansas 72203-1272

After we receive and review the information you provide, an assessment will be prepared and mailed to you.

For questions, visit our web site at www.dfa.arkansas.gov/fieldaudit or call 1-501-683-2210.

Walter Anger, Manager
Nexus and Discovery Unit
Arkansas Dept. of Finance & Administration