



December 1, 2007

**Notice to Texarkana Businesses**  
**Sales and Use Tax Changes Effective January 1, 2008**

Beginning January 1, 2008, changes to Arkansas sales and use tax laws will affect sales transactions occurring within the city limits of Texarkana, Arkansas. In addition to this notice, please refer to DFA's special mailing dated December 1, 2007 regarding "Changes in Arkansas Sales and Use Tax Law Effective January 1, 2008", for additional information and instructions.

**Border City Exemptions:** Beginning January 1, 2008, the border city exemptions (exemptions provided in Texas law) will no longer apply to sales transactions occurring in Texarkana. All sales and purchases in Texarkana will be subject to the provisions of Arkansas sales and use tax laws. Examples of types of products and sales transactions that will change include: sales of food and food ingredients; sales of over-the-counter drugs and medicines; labor to repair motor vehicles; utilities; and sales to governmental agencies and churches. If you are currently applying a Texas exemption on a sales transaction occurring in Texarkana, please review the enclosed rules for the Arkansas Gross Receipts (Sales) Tax to determine proper taxation of the sales transaction under Arkansas law.

**Taxation of Services:** Beginning January 1, 2008, sales of services in Texarkana that were previously exempted in accordance with Texas law will be subject to Arkansas state and local sales tax if the service is subject to tax in Arkansas. Sellers of taxable services should purchase parts and materials that are sold to the customer as part of the taxable service exempt from tax as a purchase for resale. Sellers of taxable services must collect Arkansas state and local sales tax on the total amount billed on the sales invoice, including all charges for parts, materials, labor and any other charges.

**Sales of Food, Food Ingredients and Prepared Foods:** Beginning January 1, 2008 sales of food and food ingredients will be subject to the Arkansas state 3% reduced sales tax rate on food and food ingredients in addition to all applicable local sales taxes on such sales. Foods purchased with food stamps or through the WIC program remain exempt from tax. As of January 1, 2008, the total combined state, city and county sales tax rate on food and food ingredients is 7%.

Prepared foods are subject to the full 6% Arkansas state sales tax rate in addition to city and county sales taxes. Prepared foods are foods that the seller has combined, mixed, added ingredients, decorated, cooked, heated, or for which a utensil has been provided. Please refer to the enclosed copy of Arkansas Rule 2007-3 for additional information regarding sales of food, food ingredients and prepared foods.

**Texas Sales Tax Holidays:** Sales tax holidays, if held in Texas, do not apply in Texarkana, Arkansas.

**Texas Customer Purchasing at Arkansas Store Location:** If your Texas customer receives their merchandise at your Arkansas store location, Arkansas state and local sales tax provisions apply to the sale.

**Delivery of Merchandise or Service to Texas Customers:** If your business delivers merchandise or services to customers in Texas in your company's delivery truck, through common carrier, by mail, or other shipping and delivery method, the sale is not subject to Arkansas state and local taxes. In such instances, you may be required to collect and remit Texas sales or use tax. When delivering merchandise outside the State of Arkansas, you should contact the taxing authority in the receiving state to determine how its tax laws may apply.

**This notice provides general guidance and information and is not meant to be all inclusive. Changes in Arkansas Sales and Use Tax Code provisions have also been adopted for sales of certain types of products and services. Included within these changes are new provisions regarding collection of local taxes on delivery sales, elimination of local tax caps, sales by meter and route delivery, taxation of rentals, bad debt deductions and rebates for businesses of additional local taxes paid on business purchases. Information is available on the Sales and Use Tax Section's website at <http://www.state.ar.us/salestax>.**

Should you have any questions, you are encouraged to contact the Sales and Use Tax Section at 501-682-7104 or visit our website at: [www.state.ar.us/salestax](http://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](mailto:sales.tax@rev.state.ar.us) .