

Sales Tax Holiday Questions for Consumers

1.) What is the Sales Tax Holiday?

Act 757 of 2011 provides for a sales tax holiday in Arkansas during the first weekend of August each year. A sales tax holiday is a temporary period when state and local sales taxes are not collected or paid on the purchase of certain products.

2.) When is the Sales Tax Holiday?

The Sales Tax Holiday will begin annually at 12:01am on the first Saturday in August and conclude at 11:59pm the following Sunday.

3.) What items qualify as exempt from sales tax for the Sales Tax Holiday?

Clothing and footwear if the sales price is less than one hundred dollars (\$100) per item;
Clothing accessories and equipment if the sales price is less than fifty dollars (\$50) per item;
School supplies; School art supplies; and School instructional;
Electronic devices commonly used by a student in the course of study.

4.) Where can I find a list of items that are eligible for the Sales Tax Holiday exemption?

<http://www.dfa.arkansas.gov/offices/exciseTax/salesanduse/Documents/holidayItemized.pdf>

5.) Do I have a limit as to how many qualifying items I can purchase?

The holiday exemption for clothing is limited to single articles with a price of less than one hundred dollars (\$100). Items priced at one hundred dollars (\$100) or more are subject to the full state and local sales tax.

(Example: A customer purchases two (2) shirts at \$50 each, a pair of jeans at \$75, and a pair of shoes at \$125. No state and local sales tax is due on the two shirts (\$50 each for a total of \$100) and the pair of jeans (\$75) even though the total cost (\$175) exceeds the \$100 threshold. However, the state and local sales tax will be due on the full purchase price (\$125) of the shoes since they exceed the one hundred dollar (\$100) threshold.)

6.) Are store issued discounts coupons treated differently than manufacturer issued discount coupons?

Retailers may offer store discounts and store coupons to reduce the selling price of an eligible item in order to qualify for the holiday exemption. However, manufacturer's discount coupons do not reduce the selling price of an item and cannot be used to determine the selling price of an item in order to qualify for the holiday exemption. A manufacturer's rebate also does not reduce the selling price of an item and may not be used to qualify an item.

7.) Will delivery charges be part of the Sales Tax Holiday threshold?

Delivery charges, including shipping, handling and service charges, are part of the sales price of eligible items. For the purpose of determining a sales tax holiday price threshold, if all of the items in a shipment qualify as eligible property and the sales price for each item in the shipment is within the sales tax holiday price threshold, the retailer will not allocate the delivery, handling, or service charge to each item in order to determine if the price threshold is exceeded. The shipment will be considered a sale of eligible products.

If the shipment includes eligible holiday sales tax exempt items and other taxable items, the retailer seller should allocate the delivery charge by using: (a) A percentage based on the total sales prices of the taxable items compared to the total sales prices of all items in the shipment; or (b) A percentage based on the total weight of the taxable items compared to the total weight of all items in the shipment. The retailer must tax the percentage of the delivery charge allocated to the taxable property but not the percentage allocated to the holiday eligible items.

8.) Can I separate qualifying items normally sold as a pair in order to meet the sales price threshold?

No. Items normally sold as a single unit, such as a pair of shoes or a men's suit, must continue to be sold as a single unit. Components cannot be priced separately and sold as individual items in order to qualify for the holiday exemption.

9.) Does an item qualify for the exemption for orders placed on layaway?

Sales of eligible items under a layaway sale qualifies for exemption if final payment on a layaway order is made by, and the property is given to, the purchaser during the exemption period; or the purchaser selects the property and the retailer accepts the order for the item during the exemption period, for immediate delivery upon full payment, even if delivery is made after the holiday exemption period ends.

10.) Does an item purchased as a rain check qualify for the exemption?

Eligible property that customers purchase during the exemption period with use of a rain check will qualify for the exemption regardless of when the rain check was issued. Issuance of a rain check during the exemption period will not qualify eligible property for the exemption if the property is actually purchased after the exemption period.

11.) If I purchase a qualifying exempt item during the sales tax holiday that exceeds the threshold will it be exempt on the first \$100/\$50 of that purchase?

No. If you purchase an item that exceeds the threshold then the full purchase price of that item will be taxed at the full tax rate.

(Ex: If you purchase \$110.00 pair of jeans then the entire \$110.00 will be subject to state and local taxes without any exemption.)

12.) Does the sales tax exemption only apply to the state tax?

No. If an exempt item is purchased and falls under the threshold then the total consideration of the item will be exempt from state and local taxes during the sales tax holiday.

13.) If I rent something during the sales tax holiday that is considered a qualifying item under the threshold does that also qualify for the sales tax exemption?

Yes. The state of Arkansas considers the rental of tangible personal property to be a sale.