



What's New for Sales Tax in 2013

Effective July 1, 2013

Amendment 91 to the Arkansas Constitution increases the state sales and use tax by 0.5% beginning July 1, 2013. The reduced tax rate for food is not affected by the increase. The increased rates are listed below:

State sales and use tax	increasing to	6.5%
Manufacturing utilities reduced rate	increasing to	3.25%
Electricity manufacturing reduced rate	increasing to	4.75%
Reduced rate for food	remaining at	1.5%

Effective August 3 and August 4, 2013

The Arkansas sales tax holiday for clothing; clothing accessories; school supplies; school art supplies; and school instructional materials will begin on Saturday, August 3, 2013 at 12:01 AM and end on Sunday, August 4, 2013 at 11:59 PM. Additional information is available on our website: www.dfa.arkansas.gov.

Effective August 16, 2013

Act 483: Allows for the direct shipment of wine by an in-state Arkansas winery or an out-of-state winery to a residence in Arkansas when the purchaser has physically visited the winery and made a purchase. The winery is limited to shipping one (1) case per calendar quarter from the winery location to an Arkansas consumer. State and local sales taxes must be collected by the winery on the shipments. A permit issued by Alcoholic Beverage Control is required.

Act 712: Allows DFA to disclose the tax records to a joint auditor employed under the authority of two or more cities for purposes of auditing the advertising and promotion taxes collected by a city. The records provided to a joint auditor are to remain confidential and not subject to disclosure by the joint auditor.

Act 1076: Creates civil and criminal penalties for activities related to the use of software and other devices and mechanisms used to modify or falsify electronic records for the purpose of evading taxes.

Act 1436: Requires DFA to notify DHS if a medicaid provider has failed to file a state income tax return, state withholding return, pass through entity tax return, or pay any tax due for the previous calendar year. DHS will provide a listing of Medicaid providers to DFA for verification of current filing obligations on December 1 of each year. DHS will notify the providers who are not in compliance that their enrollment in the Medicaid program is terminated.

Effective October 1, 2013

Act 233: Exempts pollution control machinery and equipment required by state or federal law used in the refining of petroleum based products to remove sulphur pollutants from the refined product. Repair parts and labor for this machinery and equipment are also exempt from tax.

Act 1164: Levies state, local, and long term motor vehicle leasing tax on vehicles leased for more than thirty (30) days regardless of whether the tax was paid at the time of registration. Taxpayers in the business of long term leasing of vehicles should contact Sales Tax as provided below for additional information.

Act 1392: Exempts farmers engaged in commercial farming operations on the purchase of baling twine, net wrap, silage wrap, and other similar products that are used for baling, packaging, tying, wrapping, or sealing animal feed products. Animal feed products include hay, straw, grass, fodder, and silage.

Act 1419: Exempts non-profit blood donation organizations from state and local sales and use tax. Eligible entities should contact Sales Tax as provided below to obtain the necessary exemption permit.

Effective January 1, 2014

Act 623: Requires retailers selling prepaid wireless telecommunication services to collect a sixty-five cent (\$0.65) E-911 fee from the consumer. Retailers will collect the fee at the time of the sale and remit the fee to DFA.

Act 1441: Exempts utilities used for qualifying agricultural structures and qualifying aquaculture and horticulture equipment. Aquaculture means the active cultivation of domesticated fish. Horticulture means the initial production of fruits, vegetables, tree nuts, trees, shrubs, vines, and florist stock unless the cultivation of these items are at a retail or wholesale facility from which the items are sold. A qualifying agricultural structure means a poultry or livestock facility used for commercial production; a cattle or dairy facility; and a greenhouse used for commercial production. Utilities eligible for the exemption are electricity; liquefied petroleum gas; and natural gas. The utilities eligible for the exemption must be separately metered from a utility used for any other purpose. Eligible purchasers will need to obtain a certificate from Sales Tax to provide to the utilities in order to claim the exemption. Forms and additional information will be available later in the year on our website:

www.dfa.arkansas.gov.

Effective July 1, 2014

Act 1401: Exempts utilities used for commercial grain drying and storage. The utilities exempted are electricity, liquefied petroleum gas, and natural gas which are separately metered from a utility used for any other purpose. Eligible purchasers will need to obtain a certificate from Sales Tax as listed below to provide to the utilities in order to claim the exemption.

Act 1402: Exempts eligible purchases of timber harvesting equipment for state and local sales and use tax. The current exemption is limited to the first \$50,000 of the purchase price.

Act 1404: Establishes a partial refund of one percent (1%) of the state sales and use tax paid on the purchase of machinery and equipment or replacement parts purchased to modify, replace, or repair existing manufacturing machinery and equipment. The refund also applies to the purchase of the labor used to install or repair the eligible equipment. In order to claim the refund, the taxpayer must obtain a direct pay permit from Sales Tax as provided below and claim the refund on the monthly tax return.

Act 1411: Reduces the state sales and use tax rate for electricity and natural gas used in manufacturing by eligible manufacturers classified in section 31 through 33 of the North American Industry Classification System (NAICS) and eligible high efficiency generators of electric power. Cotton gins classified under NAICS code 115111 will also be eligible for the reduced rate effective July 1, 2014. The state rate for manufacturers under NAICS code section 31 through 33 and 115111 will have a state rate of 1.625% beginning July 1, 2014 and a tax rate of 0.625% beginning July 1, 2015. Eligible high efficiency generators of electric power will have a reduced state rate of 1.625% beginning January 1, 2015. Eligible taxpayers must obtain a certificate from Sales Tax as provided below in order to claim the reduced rate unless a certificate has already been issued.

Tax rates for manufacturers in NAICS Code 31 through 33

Through June 30, 2013	2.75%
July 1, 2013 through June 30, 2014	3.25%

Tax rates for manufacturers in NAICS Code 31 through 33 and Cotton Gins in NAICS Code 115111

July 1, 2014 through June 30, 2015	1.625%
July 1, 2015	0.625%

Tax Rates for Eligible Electricity Generators

January 1, 2013 through June 30, 2013	4.25%
July 1, 2013 through December 31, 2013	4.75%
January 1, 2014 through December 31, 2014	3.25%
January 1, 2015	1.625%

Act 1414: Exempts the sale of dental appliances to or by a dentist, orthodontist, oral surgeon, maxillofacial surgeon, or endodontist from state and local sales and use tax. A dental appliance is defined as a dental device that is made for a specific patient, including without limitation a dental implant, orthodontic appliance, retainer, crown, bridge, or denture.

To obtain additional information or the necessary forms to apply, please contact the Sales and Use Tax Section, P O Box 1272 – Room 1330, Little Rock, AR 72203-1272, phone number 501-682-7104. Information will also be available on our website as it becomes available: www.dfa.arkansas.gov.