

STATE NAME: Arkansas

**Streamlined Sales Tax Governing Board
Section 328 Best Practices Matrix**

Effective Date: July 1, 2014

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The “best practices” have been approved by the Streamlined Sales Tax Governing Board (SSTGB) for each of the products, procedures, services, or transactions identified in the chart below pursuant to Section 335 of the Streamlined Sales and Use Tax Agreement (SSUTA), as amended through May 15, 2014.

Use of the term “State” in each practice refers to the state completing the Matrix.

Place an “X” in the appropriate column to indicate whether the practice does or does not apply in your state.

For each practice identified in this matrix and further described in Appendix E of the SSUTA which your state follows, place an “X” in the “Yes” column and enter the statute or rule that applies to your state’s treatment of this “best practice” in the References column.

For each practice identified in this matrix and further described in Appendix E of the SSUTA that your state does not follow, place an “X” in the “No” column and, if necessary, describe in the Comments column your state’s practice in this area.

Sellers and certified service providers are relieved from tax liability to the member state and its local jurisdictions for having charged and collected the incorrect amount of sales or use tax resulting from the seller or certified service provider relying on erroneous data provided by the member state in the best practices matrix.

Conformance to a “best practice” by a state is voluntary and no state shall be found not in compliance with the Agreement if it does not follow a best practice adopted by the Governing Board.

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Best Practice from Appendix E	Brief Description of Best Practice	For each section, place an "X" in the YES column for the Practice your State follows. Place an "X" in the NO column if the practice does not apply in your State.		For sections with only NO responses, describe your State's tax treatment. Additional comments may be added for any response.	
		Yes	No	References: Statute, Rule, Cite	Comments
Best Practice 2 – Credits					
Definition	<p>"Tax Paid" means the tax that was (1) paid and (2) previously due from either the seller or the purchaser when the sale of that product is taxable in that state and it was properly sourced based on that state's sourcing rules. "Tax paid" includes tax that was (1) paid and (2) previously due from the purchaser (or seller, if applicable) because the purchaser moved the product to a different jurisdiction. "Tax paid" does not include the portion of tax paid that is currently eligible for a credit or refund or tax paid that is eligible for refund under a tax-incentive program or agreement.</p>	N/A		Ark. Code Ann. §26-52-510; GR-12	<p>This is the definition upon which Arkansas relies to complete this Matrix.</p> <p>Note: The responses within do not apply to the treatment of motor vehicles. Arkansas does not provide credit for tax paid on the purchase of a motor vehicle to another jurisdiction in which it was not registered.</p>

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Credits 2.1	2.1 Credit Against Use Tax The State imposing tax on the purchaser provides credit for “sales or use taxes paid” on a product against the State’s use tax.	X		Ark. Code Ann. §26-5-101, Article V	Arkansas is a member of the Multistate Tax Compact. It follows the language of Article V of the Compact.
Credits 2.2	2.2 Credit Against Sales Tax The State imposing tax provides credit for the “sales or use taxes paid” on a product against the State’s sales tax.		X	Ark. Code Ann. §26-5-101, Article V	Arkansas characterizes sales or use taxes paid to another state as use tax.
Credits 2.3.a.	2.3 Reciprocity 2.3.a. The credit the State provides in 2.1 and 2.2 applies regardless of whether another state provides a reciprocal credit.		X	Ark. Code Ann. §26-53-131	
Credits 2.3.b.	2.3.b. The credit the State provides in 2.1 and 2.2 only applies when the other state where the tax was paid provides a reciprocal credit.	X		Ark. Code Ann. §26-53-131	
Credits 2.4.a.	2.4 State and Local Sales Use “Tax Paid” 2.4.a. The credit provided for in 2.1 and 2.2 is for the combined amount of state and local “tax paid” to another state or local jurisdiction against both the state and local taxes due to the State.	X		Ark. Code Ann. §26-5-101, Article V	Arkansas is a member of the Multistate Tax Compact. It follows the language of Article V of the Compact.
Credits 2.4.b.	2.4.b. The credit provided for in 2.1 and 2.2 is for only the state “tax paid” to another state against the taxes due to the State (<i>i.e.</i> , no credit for local tax against state tax). If the State has local sales or use taxes, it only provides credit for state tax		N/A		Please refer to response to Question 2.4.a.

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	against state tax and local tax against local tax.				
Credits 2.5	<p>2.5 Credit for “Similar Tax” Paid to Another Jurisdiction</p> <p>The credit provided for in 2.1 and 2.2 includes “similar taxes” that were (1) paid and (2) previously due to another state or local jurisdiction against the sales or use taxes due.</p> <p>List all known similar or like taxes the state provides credit for even if such tax does not meet the definition of a “similar tax.”</p> <p>a. b. c.</p>		X		Arkansas provides credit for sales and use taxes only.
Credits 2.6	<p>2.6. Credit Against “Similar Tax” Imposed by the State</p> <p>The credit provided for in 2.1 and 2.2 includes “sales or use taxes paid” to another state or local jurisdiction against “similar taxes” due.</p> <p>List “similar taxes” imposed that the state provides credits against.</p> <p>a. b. c.</p>		N/A		Arkansas does not impose similar taxes.

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Credits 2.7	<p>2.7 Sourcing when Receipt Location is Known</p> <p>The credit provided for in 2.1 and 2.2 applies when the other state’s “sales or use taxes” were (1) paid and (2) previously due based on: i) that other state’s sourcing rules, or ii) the purchaser’s location of use of a product subsequent to the initial sale.</p>	X		Ark. Code Ann. §26-5-101, Article V; Ark. Code Ann. §26-52-521	
Credits 2.8	<p>2.8 Sourcing when Receipt Location is Unknown</p> <p>Except as provided in Best Practice 2.13, the credit provided for in 2.1 and 2.2 applies when the seller sources the initial sale pursuant to the SSUTA Sections 310.A.3, 310.A.4, or 310.A.5, because the location where the product was received by the purchaser was unknown to the seller.</p>	X		Ark. Code Ann. §26-5-101, Article V; Ark. Code Ann. §26-52-521	
Credits 2.9	<p>2.9 Characterization of Sale</p> <p>The credit provided for in 2.1 and 2.2 applies regardless of the other state’s characterization of the product as tangible personal property, a service, digital good, or product delivered electronically.</p>	X		Ark. Code Ann. §26-5-101, Article V	Note: Arkansas does not tax digital goods or products delivered electronically so a credit issue would not arise.
Credits 2.10.a.	<p>2.10 Sales Price Components</p> <p>2.10.a. Full Credit Allowed.</p> <p>The credit provided for in 2.1 and 2.2 applies to all components of the SSUTA “sales price” definition, whether taxable or nontaxable in the State.</p>		X	Ark. Code Ann. §26-5-101, Article V; Ark. Code Ann. §26-52-103(13)(A)(v)(b)	Arkansas uses the toggle available under the Agreement definition of “sales price” to exclude installation charges which are not a specifically taxable service if they are separately stated on the billing document.

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Credits 2.10.b.	<p>2.10.b. Partial Credit Allowed</p> <p>When taxable and non-taxable charges are itemized on the invoice, the credit provided for in 2.1 and 2.2 is only for the “tax paid” on the taxable components of the sales price in the State.</p>	X		Ark. Code Ann. §26-5-101, Article V; Ark. Code Ann. §26-52-103(13)	
Credits 2.11.a.	<p>2.11 Transactions with Taxable and Exempt Products</p> <p>2.11.a. Full Credit Allowed</p> <p>The credit provided for in 2.1 and 2.2 applies to the full amount of “tax paid” on a transaction consisting of taxable and exempt products.</p>		X	Ark. Code Ann. §26-5-101, Article V	Arkansas does not provide credit for the tax paid on products which are exempt in Arkansas.
Credits 2.11.b.	<p>2.11.b. Partial Credit Allowed.</p> <p>When taxable and non-taxable products are itemized on the invoice the credit provided for in 2.1 and 2.2 is only for the “tax paid” on the taxable products of a transaction in the State.</p>	X		Ark. Code Ann. §26-5-101, Article V	
Credits 2.12	<p>2.12 Audit Sampling</p> <p>The credit provided for in 2.1 and 2.2 applies when the sale or purchase of the product was part of the population sampled pursuant to an audit sampling method.</p>	X		Ark. Code Ann. §26-5-101, Article V	

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Credits 2.13	<p>2.13 Direct Mail</p> <p>The credit provided for in 2.1 and 2.2 applies when the seller sources the sale of Advertising and Promotional Direct Mail pursuant to Section 313.A.4.</p>	X		Ark. Code Ann. §26-5-101, Article V; Ark. Code Ann. §26-52-521	
Credits 2,14	<p>2.14 Accelerated Payments on Lease/Rentals</p> <p>The credit provided for in 2.1 and 2.2 includes the “tax paid” to another state or local jurisdiction on a lease/rental transaction based on the sum of the lease payments (“accelerated basis”), against the “sales or use taxes” due on the balance of the lease/rental payments.</p>	X		Ark. Code Ann. §26-5-101, Article V	
Credits 2.15	<p>2.15 Inception-Deferred Collection on Lease/Rentals</p> <p>The credit provided for in 2.1 and 2.2 includes the “tax paid” to another state or local jurisdiction on a lease/rental transaction based on a deferred collection/remittance method against the “sales or use taxes” due on the balance of the lease/rental payments.</p>	X		Ark. Code Ann. §26-5-101, Article V	The tax to the other state must be paid before the tax is “due” to Arkansas in order for the taxpayer to receive the credit.

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Credits 2.16	<p>2.16 Lessor Acquisition.</p> <p>The credit provided for in 2.1 and 2.2 includes the "tax paid" by the lessor to another state or local jurisdiction on the acquisition of the product against the "sales or use taxes" due on the balance of the lease/rental payments provided the tax reimbursement is documented and disclosed to the lessee.</p>	X		Ark. Code Ann. §26-5-101, Article V; Ark. Code Ann. §26-52-301; Ark. Code Ann. §26-63-301	Note: With the exception of motor vehicles, Arkansas provides credit when the property acquired is intended for long-term lease. State and local sales tax must be collected by the lessor for short-term leases of property, regardless whether tax was paid when the property was acquired.
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