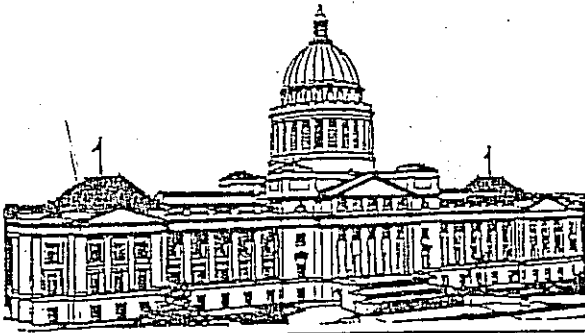


# ARKANSAS REGISTER

## Transmittal Sheet



Sharon Priest  
Secretary of State  
State Capitol Rm. 01  
Little Rock, Arkansas 72201-1094

For Office Use Only: Effective Date 2/27/98 Code Number 006.05.98--002

Name of Agency Department of Finance & Administration

Department Revenue Division

Contact Person Don Zane Phone 682-7751

Statutory Authority for Promulgating Rules Ark. Code Ann. 26-18-301  
Regulation GR-3(c)

|   | Date           |
|---|----------------|
| Intended Effective Date                       | <u>3/9/98</u>  |
| <input checked="" type="checkbox"/> Emergency | <u>4/24/98</u> |
| <input type="checkbox"/> 10 Days After Filing | <u>2/27/98</u> |
| <input type="checkbox"/> Other                |                |
| Legal Notice Published                        | <u>2/27/98</u> |
| Final Date for Public Comment                 |                |
| Filed With Legislative Council                |                |
| Reviewed by Legislative Council               |                |
| Adopted by State Agency                       |                |

### CERTIFICATION OF AUTHORIZED OFFICER

I Hereby Certify That The Attached Rules Were Adopted  
In Compliance with Act 434 of 1967 As Amended.

\_\_\_\_\_  
Signature

682-7751

\_\_\_\_\_  
Phone Number

Taxpayer Information Officer  
\_\_\_\_\_  
Title

February 27, 1998  
\_\_\_\_\_  
Date

FILED  
AR. REGISTER DIV.  
98 FEB 27 PM 2:10  
SECRETARY OF STATE  
STATE OF ARKANSAS

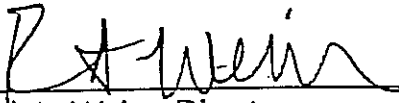
EMERGENCY AMENDMENT TO GROSS RECEIPTS  
REGULATION GR-3(C)

Arkansas Gross Receipts Tax Regulation GR-3(C) is amended to add two new paragraphs, to be paragraphs (4)(a) and (4)(b), to read as follows:

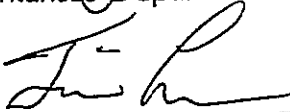
"(4)(a) Manufacturers' buydowns shall not be considered a part of the gross proceeds or gross receipts paid by consumers for products on which buydowns have been paid. The provisions of this regulation do not affect sales of property involving the use of manufacturer's or retailer's coupons. Sales involving the use of such coupons shall be governed by Gross Receipts Tax Regulation GR-18.

(b) For purposes of this regulation, a "buydown" is a cash payment made to a retailer by a manufacturer as an incentive to the retailer to reduce the retail price of the manufacturer's products for the purpose of increasing sales of such products. A buydown is a transaction between the manufacturer and the retailer, to which the consumer is not a party."

Issued and hereby effective this 23<sup>rd</sup> day of Feb, 1998 in the City of Little Rock, Arkansas.



Richard A. Weiss, Director  
Arkansas Department of Finance and Administration

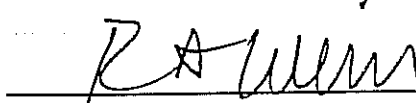


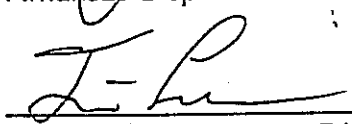
Tim Leathers, Deputy Director and Commissioner of Revenue  
Arkansas Department of Finance and Administration

FINDING OF IMMINENT PERIL  
AND STATEMENT OF REASONS

The use of "buydowns" have become a popular selling incentive within this state. Buydowns are cash payments from the manufacturer to a retailer which allow the retailer to sell a particular product at a lower price. Buydowns are frequently used by manufacturers instead of issuing manufacturers' coupons. Retailers are confused about how sales tax is to be collected from a consumer if the selling price of an item is reduced based upon the buydown received by the retailer from the manufacturer. These buydowns occur solely between the manufacturer and retailer and should not be considered part of the taxable gross receipts paid by the ultimate consumer for the manufacturer's product.

Because retailers are confused concerning how to treat buydowns for sales tax purposes, some retailers are collecting sales tax from their customers on the value of any buydown while others do not. As a result, some consumers will be charged an excessive amount of sales tax on the sale of such products. Therefore, the Director of the Department of Finance and Administration and the Commissioner of Revenue find that a state of imminent peril exists requiring the issuance of the attached amendment to Gross Receipts Tax Regulation GR-3(C) on an emergency basis. This regulation is necessary to clarify this issue and to prevent taxpayers from collecting an improper or excessive amount of sales tax from their customers.

  
\_\_\_\_\_  
Richard A. Weiss, Director  
Arkansas Department of Finance and Administration

  
\_\_\_\_\_  
Tim Leathers, Deputy Director and Commissioner of Revenue  
Arkansas Department of Finance and Administration

DEPARTMENT: Department of Finance and Administration  
DIVISION Revenue Division:  
PERSON COMPLETING  
THIS STATEMENT: Ed Hicks, Excise Tax Administrator  
TELEPHONE NO.: (501) 682-7200  
FAX NO.: (501) 682-7900

FILED  
AR. REGISTER DIV.  
98 FEB 27 PM 2:19  
BRANDON L. WEST  
SECRETARY OF STATE  
STATE OF ARKANSAS  
BY \_\_\_\_\_

FINANCIAL IMPACT STATEMENT

To comply with Act 884 of 1995, please complete the following Financial Impact Statement and file with the questionnaire and proposed rules.

SHORT TITLE OF THIS RULE: Regulation GR-3(C) (Manufacturers' Buydowns)

1. Does this proposed, amended, or repealed rule or regulation have a financial impact?  
Yes: No: **XX**
2. If you believe that the development of a financial impact statement is so speculative as to be cost prohibited, please explain.
3. If the purpose of this rule or regulation is to implement a federal rule or regulation, please give the incremental cost for implementing the regulation. **Does Not Apply.**

1997-98 Fiscal Year

General Revenue: \_\_\_\_\_  
Federal Funds: \_\_\_\_\_  
Cash Funds: \_\_\_\_\_  
Special Revenue: \_\_\_\_\_  
Other: \_\_\_\_\_  
Total: \_\_\_\_\_

None

1997-98 Fiscal Year

General Revenue: \_\_\_\_\_  
Federal Funds: \_\_\_\_\_  
Cash Funds: \_\_\_\_\_  
Special Revenue: \_\_\_\_\_  
Other: \_\_\_\_\_  
Total: \_\_\_\_\_

None

4. What is the total estimated cost by fiscal year to any party subject to the, proposed, amended, or repealed rule or regulation? **None.**

1997-98 Fiscal Year

**None**

1998-99 Fiscal Year

**None**

5. What is the total estimated cost by fiscal year to the agency to implement this regulation?

1997-98 Fiscal Year

**No additional cost**

1998-99 Fiscal Year

**No additional cost**