



STATE OF ARKANSAS

**Department of Finance
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September 29, 2014

Mr. Craig Johnson
Executive Director
Streamlined Sales Tax Governing Board, Inc.
100 Majestic Drive, Suite 400
Westby, WI 54667

VIA EMAIL: craig.johnson@sstgb.org

RE: Review Report on 2014 Annual Recertification

Dear Mr. Johnson:

The following is Arkansas's response to the potential compliance issues noted in the Review Report on 2014 Annual Recertification issued to the Compliance Review and Interpretations Committee on August 29, 2014. The Department has corrected its Taxability Matrix and Certificate of Compliance as indicated below.

TAXABILITY MATRIX

Issue 1 Section 1:

- A. Sales tax holiday – added citations to Ark. Code Ann. § 26-52-444 and Rule 2012-2
- B. Reference Number 20120 – removed X under duplicate “exempt” cell
- C. Reference Number 51130 – over the counter drugs without a prescription - added citations to Ark. Code Ann. § 26-52-406 and GR-38
- D. Reference Number 51140 – over the counter drugs with a prescription - added citations to Ark. Code Ann. § 26-52-406 and GR-38
- E. Reference Number 51170 – grooming and hygiene products for human use that don't meet the definition of drug - added citations to Ark. Code Ann. § 26-52-406 and GR-38

Issue 1 Section 2:

Both over-the-counter drugs with prescription and grooming and hygiene products that meet the drug definition with prescription are taxable. However, if a grooming and hygiene product can only be legally dispensed by prescription, the product is exempt as the sale of a drug. A comment has been added to Reference Number 51172 of the taxability matrix to clarify this distinction.

Issue 1 Section 3:

The sale of a dental appliance is exempt when the appliance is made for a specific patient. Therefore, reference number 54250 is marked taxable while reference number 54260 is

marked exempt. A statutory citation and an explanatory comment have been added to Reference Number 54260 of the taxability matrix.

Report Issue 2: Prepared Food

This issue was withdrawn by the Streamline Review Staff on September 25, 2014 per Executive Director Craig Johnson.

CERTIFICATE OF COMPLIANCE

Issue 3 Section 1:

Question: Section 328, questions B and C.1. The citations noted do not address taxability matrix changes.

Response: Arkansas provides notice of changes to the taxability matrix as required by the Governing Board. The citation reference has been changed to Ark. Code Ann. § 26-52-108. The typographical errors in questions C.1 and C.2 have been corrected.

Issue 3 Section 2:

Question: prepared food definition – Typographical error - N/A has been changed to Yes and citations to Ark. Code Ann. § 26-52-103(17) and Ark. Code Ann. § 26-52-317(b)(2) have been reinserted.

The Department has updated its taxability matrix on the Governing board's website to reflect the suggested amendments noted in Issue 1 Section 1. To address Issue 1 Section 2, a comment has been added to the taxability matrix to clarify the distinction between over-the-counter drugs and prescription grooming and hygiene products. To address Issue 1 Section 3, a statutory citation and a comment have been added to the taxability matrix.

A statutory reference on the certificate of compliance has been changed. Other typographical errors were corrected. The revised certificate is attached.

Please contact me if you need further information or assistance.

Sincerely,



Gina Dougherty
Revenue Legal Counsel

Attachment