

Arkansas Sales Tax Exemption for 100% Disabled Veterans

Briefing Document

Subject: Proposed Sales Tax Exemption for 100% Disabled Veterans in Arkansas

Purpose: To provide a high-level overview of a proposed sales tax exemption for 100% disabled veterans in Arkansas, intended for legislators considering supporting legislation in the 2025 General Assembly.

Background and Problem:

- **Inspiration from Oklahoma:** The proposal is inspired by a program in Oklahoma where 100% disabled veterans and their spouses receive a special ID card granting them sales tax exemption up to \$25,000 per year. This program has been in place for at least six years.
- **Local Advocacy:** The Western Arkansas Regional Veterans Coalition (WARVC) initially sought to bring a similar exemption to Arkansas, leading Representative Cindy Crawford to file a bill in the 2023 session, which ultimately did not progress.
- **Statewide Support:** The WARVC obtained the support of the statewide Arkansas Veterans Coalition (AVC), representing over 500,000 military personnel, veterans, their families, and survivors. The AVC unanimously passed a resolution supporting the bill.
- **Legislative Process:** In preparation for the 2025 session, the AVC conducted a retreat focused on legislative processes. Delegates identified veteran issues, which were then submitted to the wider membership. The sales tax exemption proposal was one of five issues approved unanimously by the AVC membership for legislative action.
- **Need for Action:** The primary issue is the financial strain faced by 100% disabled veterans in Arkansas, which is exacerbated by state sales tax.

Proposed Solution:

- **Exemption Details:** Introduce a bill to exempt 100% disabled veterans and their spouses/caregivers from the state's 6.5% sales tax on in-person purchases at Arkansas merchant stores up to a limit of \$5,000 per year.
- **Point of Sale:** The exemption would be applied at the point of sale, similar to other discounts offered by merchants.
- **Exclusions:** Purchases made online or by phone would not qualify for this exemption.

Key Data Points and Facts:

- **100% Disabled Veterans Population:** In FY23, there were 7,822 veterans with a 100% disability rating in Arkansas.
- **Projected Veteran Population:** While the VA doesn't project the 100% disabled population specifically, the overall veteran population in Arkansas is projected to decline

significantly due to demographic trends, aging and deaths. 49.7% of veterans alive in 2025 are projected to be over the age of 65.

- **Poverty Rates:** While no specific data on poverty for 100% disabled veterans exists in this document, a 2022 US Census Bureau report cited by USAFacts.org states that 10.70% of all Arkansas veterans earned income below the poverty line. It's argued that the poverty rate for 100% disabled veterans is likely significantly higher, as they "typically have no other or limited sources of income outside their VA compensation.
- **Income Levels:** The median family income for all Arkansas veterans is \$56,500. It's assumed that the median family income for 100% disabled veterans is likely significantly less, again due to limited income sources beyond their VA compensation.
- **Spending Threshold:** To reach the proposed \$5,000 tax exemption limit, an individual would need to spend \$76,923 on state-taxable purchases.
- **State Verification Process:** 100% disabled veterans would be required to provide a "VA Benefits Letter" from the US Department of Veterans Affairs ("VA") when applying for or renewing eligibility for this exemption.
- **Merchant Verification:** Merchants would require "a prescribed form of state provided documentation, such as a special photo ID Card, or other state specified identification" to verify the individual making the purchase is eligible for the tax exemption.

Key Takeaways:

- This proposal aims to provide much-needed financial relief to a vulnerable population of Arkansas veterans.
- The proposal draws inspiration from a successful program in Oklahoma.
- The statewide Arkansas Veterans Coalition ("AVC") representing 500,000+ Arkansans unanimously passed formal Resolution in support of the proposed legislative.
- The proposed exemption has a defined limit and a clear verification process.
- Implementation would integrate into current merchant practices and tax systems.

Although this document provides a comprehensive overview of the proposed sales tax exemption, the AVC recognizes further research into the economic impact and detailed implementation plans would likely be beneficial and stands ready to assist in whatever manner needed.