



STATE OF ARKANSAS  
**Department of Finance  
and Administration**

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May 8, 2020

Via Email

[REDACTED]  
[REDACTED]

RE: Nontaxable Services  
Opinion Number 20190916

[REDACTED],

Your letter requesting an opinion from the Arkansas Department of Finance and Administration has been referred to me for response. Your inquiry states as follows:

Below are some more details on the Virtual Services:

- The Virtual Services that I will be providing is like Bookkeeping, Project Management, Business Analysis, eMail management, Research, Customer Service, etc. etc.
- No tangible items will be exchanged.
- All services will be provided via the internet.

1. Are these services taxable?
2. If yes, how are they taxable?
3. If no, do I still need to file sales taxes (\$0) each month, quarter or year?

Your request concerns the treatment that are not specifically enumerated taxable services.

## **RESPONSES**

Based on the information you have provided, I answer your questions below, except that my answer to your first question makes your second question moot.

### **1. Are These Services Taxable?**

No. Arkansas gross receipts tax (sales tax) is levied upon the gross proceeds or gross receipts derived from all sales of tangible personal property, specified digital products, and certain enumerated services, unless specifically exempted by law. Ark. Code Ann. § 26-52-301 *et seq.* (Supp. 2019). The services of bookkeeping, project management, business analysis, email management, research, and customer service are not specifically enumerated services subject to sales tax. The services you identify in your request are not subject to tax regardless of whether they are performed virtually or in person based on the description provided.

## 2. Do I Still Need to File Sales Taxes (\$0) Each Month, Quarter, Or Year?

No.

Because each of the services you will be providing are not subject to sales tax, you are not required to obtain a gross receipts tax permit or file the monthly sales tax returns that are required of taxpayers who tangible personal property, specified digital products, or a digital code, or that perform taxable services.<sup>1</sup> However, if in the future you wish to engage in any transactions that are subject to sales tax, you must first receive an Arkansas gross receipts tax permit and then file all required sales tax reports.

This opinion is based on my understanding of the facts as set out in your inquiry, as those facts are governed by current Arkansas laws, rules, and regulations. Any change in the facts or law could result in a different opinion. You may rely on this letter opinion for a period of three years from the date of its issuance in accordance with Arkansas Gross Receipts Tax Rule GR-75.

Sincerely,

Chris McNeal  
Revenue Legal Counsel

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<sup>1</sup> Arkansas Code Annotated § 26-52-201(a) (Supp. 2019) states that it is “unlawful for any taxpayer to transact business within this state prior to the issuance and receipt of an Arkansas gross receipts tax permit from the Secretary of the Department of Finance and Administration.” Upon application and receipt of a permit, the Taxpayer is required on or before the twentieth day of each month to file all sales tax reports required under Ark. Code Ann. § 26-52-501(b)(1) (Supp. 2019). However, while the Arkansas General Assembly has authorized the Secretary to establish special permits for taxpayers whose principal line of business does not include the retail selling of tangible personal property, specified digital products, or a digital code, or the performing of taxable services, *viz* Ark. Code Ann. § 26-52-201(e) (Supp. 2019), the Secretary has not established such a special permit. Because no permit exists for taxpayers whose principal line of business does not include the retail selling of tangible personal property, specified digital products, or a digital code, or the performing of taxable services, a literal reading of Ark. Code Ann. § 26-52-201(a) (Supp. 2019) would result in permit holders reporting zero taxable sales for twelve consecutive months and their permit expiring by operation of law. *See* Ark. Code Ann. § 26-52-210(a)(1)(A). The Arkansas Supreme Court has held that “it does not engage in interpretations that defy common sense and produce absurd results.” *Green v. Mills*, 339 Ark. 200, 205, 4 S.W.3d 493, 496 (1999). Therefore, the Department does not at this time require taxpayers whose principal line of business does not include the retail selling of tangible personal property, specified digital products, or a digital code, or the performing of taxable services to obtain a gross receipts tax permit.