



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

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December 2, 2020

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

RE: Gross Receipts Tax – Installations  
Opinion Number 20200722

Dear [REDACTED]:

This letter is in response to your June 30, 2020 email requesting a legal opinion on behalf of your company [REDACTED]. ([REDACTED]), [REDACTED] is located in [REDACTED], Texas, and installs pallet rack, pick modules, mezzanines, shelving, and other material handling products into existing and new construction warehouses in Arkansas. Your email states:

*We are an installation company*

*We install rack and shelving like would see in a [REDACTED] or [REDACTED] warehouse.*

- 1. Would this service be taxable?*
- 2. Would this service be taxable in new construction?*
- 3. Would this service be taxable in a rack supported building?*

*On occasion we will sell the rack and the installation service.*

*If the Labor and product are stated separately on the same invoice, is the installation taxable?*

*A lot of our services are to our clients that will resale our services to an end user.*

*Will you accept an Out-of-State resale certificate or number?*

In subsequent email correspondence, you clarified that your company would not be doing any rack supported buildings in Arkansas, so question 3 in your initial email was no longer relevant. Based on that correspondence, you also clarified that you are usually not involved in the sale of the equipment, that your main business is installation of customer owned equipment. You agreed that your initial request should be narrowed down to:

Whether the service of installing such racks and shelving is taxable in Arkansas.

## RESPONSE

No. The Arkansas Gross Receipts tax, commonly referred to as “sales tax”, generally applies to all sales of tangible personal property and certain enumerated services unless otherwise exempted. *See* Ark. Code Ann. § 26-52-301 (Supp. 2019).

Arkansas Code Annotated § 26-52-316 (Supp. 2019) provides a partial list of services subject to sales tax as follows:

- (a) The gross proceeds or gross receipts derived from the following services are subject to this chapter:
  - (1) Wrecker and towing services;
  - (2) Collection and disposal of solid wastes;
  - (3) The cleaning of parking lots and gutters;
  - (4) Dry cleaning and laundry services;
  - (5) Industrial laundry services;
  - (6) Body piercing, tattooing, and electrolysis services;
  - (7) Pest control services;
  - (8) Security and alarm monitoring services;
  - (9) Boat storage and docking fees;
  - (10) The furnishing of camping spaces or trailer spaces at public or privately owned campgrounds, except for federal campgrounds, on less than a month-to-month basis;
  - (11) Locksmith services; and
  - (12) Pet grooming and kennel services.

*See also* Arkansas Gross Receipts Rule GR-9(B).

Arkansas Gross Receipts Tax Rule GR-18 provides examples of when sales tax is applicable. Arkansas Gross Receipts Tax Rule GR-18(C) addresses installation charges stating in part:

- C. **INSTALLATION CHARGES.** If a seller is engaged in the established business of selling and installing tangible personal property in Arkansas, and the sales price of the property includes the installation charges as a part of the total sales price, the gross receipts tax should be collected on the total sale price. If the installation charges are separately stated on the invoice or bill of sale, tax is not due on the separate installation charge, unless the installation is a specifically enumerated taxable service such as the installation services in GR-9 or GR-9.17.

Under Arkansas Gross Receipts Tax Rule GR-9, the service of initial installation of various items including, but not limited to, electrical appliances, machinery of kinds, tin and sheet metal, etc. are subject to the tax. Racks and shelving do not fall in this list of specifically enumerated taxable services. The initial installation of items including motors of all kinds, furniture, electrical appliances and devices, televisions and radios, machinery of all kinds, and office machines and equipment are subject to tax under Arkansas Gross Receipts Tax Rule GR-9.17 unless one of the

specified exemptions apply. The racks and shelving described also do not fit into any of these taxable categories and therefore the service of installing these items is non-taxable.

Because the installation of racks and shelving is not a specifically enumerated taxable service, no tax will be due on any separate installation charge. Whether the building is a new construction, or an existing building is not relevant to this analysis.

In a follow-up email, you stated that there are occasions wherein your company may sell the rack and shelving product in conjunction with your installation services, you advised that the installation at issue in this inquiry only concerns customer owned equipment. Therefore, I will not address the issue of the taxability of selling any tangible personal property.

This opinion is based upon my understanding of the facts as set out in your inquiry and as current Arkansas laws and rules govern those facts. Any changes in the facts or law could result in a different opinion. In accordance with Arkansas Gross Receipts Tax Rule GR-75, this opinion will only be binding upon the Department for three (3) years from the date of issuance. You may seek a supplemental opinion should you desire guidance in any topic not addressed within this opinion or if you have additional questions after reading this opinion.

The Arkansas Tax Rules cited in this opinion may be viewed on DFA's website at [http://www.dfa.arkansas.gov/offices/policyAndLegal/Documents/et2008\\_3.pdf](http://www.dfa.arkansas.gov/offices/policyAndLegal/Documents/et2008_3.pdf).

Sincerely,

Nina Samuel Carter  
Office of Revenue Legal Counsel