



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

REVENUE LEGAL COUNSEL

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December 1, 2020

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Re: Gross Receipts Tax – Bed Bug Eradication
Opinion 20200902

██████████:

Your September 15, 2020 email to Mr. Joel DiPippa, Senior Counsel with the Arkansas Department of Finance and Administration (“DFA”) has been referred to me for a response. In your email, you requested a legal opinion regarding a service you intend to provide to kill bed bugs through heat treatment. For reasons more fully explained below, the gross receipts you receive for the performance of those services are subject to state and local sales tax.

The following facts were provided in your email for DFA’s consideration:

We are starting a service business in ██████████ County but will be servicing all of the state of Arkansas. We are purchasing a trailer that we will pull behind our truck that has a large furnace in it. We will be mainly servicing residential homes but could potentially service businesses as well. We will be heating the homes/businesses with the intention of killing bed bugs. The process takes about 8 hours to complete and only involves our heater/duct work and the propane to run the heater. We are requesting a legal opinion to see if we will be subject to charge sales tax.

Response

The service you describe is subject to sales tax as the service of pest control. Arkansas law imposes sales tax on the total gross receipts derived from the sale of tangible personal property and from specifically identified taxable services. *See* Ark. Code Ann. §§ Ark. Code Ann. 26-52-301 through 323. Arkansas Code Annotated § 26-52-316 (7) identifies pest control services as a service on which sales tax must be collected and remitted.

Arkansas Gross Receipts Tax Rule GR-9.11 defines “pest control service” to mean any person who for compensation gives advice or engages in work, including inspection, to prevent, control, or repel pests including arthropods, mammals, birds, reptiles, wood-damaging or wood-destroying insects, wood-damaging or wood-destroying fungi, any organisms that may invade or infest homes, other buildings, or similar structures and their adjacent grounds as well as

arthropods, mammals, birds, reptiles and plant diseases that may invade, infest, or infect shade trees, shrubs, lawns and turf.

Rule GR-9.11 further states that the tax shall be collected and remitted by the seller of the pest control services on the total gross receipts received by a pest control service provider, including any amounts received for service contracts, termite contracts, pest control contracts, or any other contract that provides for inspection, prevention, control, or repelling of pests. Therefore, you must collect the tax when you perform your service of treating homes or buildings for bed bug infestations. A copy of Rule GR-9.11 is enclosed for your review.

Both state and local sales taxes must be collected and remitted on your taxable pest control services. The state sales tax rate is currently 6.5% statewide (except Texarkana). City and County sales tax rates vary from one location to another. You are responsible for collecting the state sales tax and the city and county sales tax of the location where your service is performed. To assist you with that process, the DFA website provides a local tax lookup tool for use in identifying the proper city and county tax rate. That tool allows you to enter the address of your customer to obtain the applicable tax rates and is available at: <https://www.dfa.arkansas.gov/sales-and-use-tax-section-local-tax-lookup-tools>

State law requires that a business making sales subject to sales tax must register with DFA and obtain a Gross Receipts Tax permit. You can apply for that permit by completing a “Combined Business Tax Registration – Form AR-1R” The registration form and instructions can both be obtained at: <https://www.dfa.arkansas.gov/excise-tax/sales-and-use-tax/sales-and-use-tax-forms/>

This opinion is based on my understanding of the facts as set out in your inquiry as current Arkansas laws, rules and regulations govern those facts. Any change in the facts or law could result in a different opinion.

Should you have any questions, please contact me.

Sincerely,

John Theis
Revenue Legal Counsel