

# AR Lawmakers Override Gas Tax Break Veto

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LITTLE ROCK, Ark. (AP) — The Arkansas Legislature overrode Gov. Mike Beebe's veto of a \$5 million tax exemption for natural gas drillers, despite the governor's warning that including the tax break in a budget bill was unconstitutional and jeopardizes pay raises proposed for state workers.

By a 55-41 vote in the House and 26-7 in the Senate, lawmakers rejected Beebe's line item veto of a measure exempting sand used in natural gas drilling from state sales taxes. The tax break was included in the budget bill for the Department of Finance and Administration's revenue services division.

Wednesday's vote was the fourth time a Beebe veto has been overridden by the Republican-controlled Legislature. It takes a simple majority vote of both chambers to override the Democratic governor.

Beebe vetoed the measure Monday, saying it violated a constitutional amendment voters approved in 2008 requiring the Legislature to meet annually, with sessions in even-numbered years focused on the state's budget. During the fiscal session, non-budget bills must win the support of two-thirds of the House and Senate to even be introduced.

A Pulaski County circuit judge ruled earlier this month that sand qualifies as equipment, meaning taxes can't be collected. Lawmakers said the measure clarifies the law to reflect that decision, and said they never intended for the sand to be taxed. Weatherford Artificial Lift Systems Inc., a Houston, Texas-based company, sued Arkansas after the state forced the firm to pay more than \$1.3 million in sales tax on the sand.

Lawmakers also argued it would help business around the state's Fayetteville Shale natural gas formation.

"If there's anything we can do to help keep Arkansas workers working in Arkansas and staying with their families, I think we need to take that opportunity," said Rep. Stephen Meeks, R-Greenbrier, who argued for the override in the House. "And that's what this presents us with, an opportunity to allow Arkansas workers to stay within Arkansas and to help to encourage business within our state."

A spokeswoman for Beebe said after the vote that the governor was "disappointed that the Legislature passed an unconstitutional bill for the benefit of out of state corporations at the expense of their own state employees."

Earlier Wednesday, Beebe warned that overriding the veto threatened a 1 percent cost-of-living increase included in the budget that lawmakers approved last week. The pay raise is projected to cost the state about \$5 million, but is in the lowest

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funded category of the state's budget. The state's Revenue Stabilization law sets budget priorities based on expected revenue.

"What it'll do is it'll take the money that was going to go for the COLAs for state employees and give it in the form of a tax break," Beebe said. "That's the way the Revenue Stabilization's set up. The legislature put the COLA money in a category that goes away if they give the tax break to the out-of-state gas company."

Sen. Jonathan Dismang, who proposed the tax exemption, said the state shouldn't have been counting on the tax revenue anyway because of the judge's decision. Dismang said he believed the state would bring in enough tax revenue to pay for the raise.

"I feel like as things track along and the forecast becomes reality, there will be a revision and I'm confident those COLAs will be funded," Dismang, R-Beebe, said.

Beebe has vetoed 18 measures since taking office in 2007. Last year, the Republican led Legislature overrode his veto of two bills restricting abortions and a measure requiring voters to show photo identification before casting a ballot. A federal judge last week struck down one of the abortion bills, a measure banning the procedure in most instances at 12 weeks.

The vote also marked the end of the session that began Feb. 10. The session had primarily focused on the state's "private option" plan to use federal Medicaid funds to purchase private insurance for the poor. Lawmakers reauthorized the program, which was created last year as an alternative to expanding Medicaid under the federal health law.

**Source URL (retrieved on 08/29/2015 - 5:03pm):**

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