

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1503

Bill Subtitle: TO AMEND THE EXCISE TAX RATE REGARDING HARD CIDER; TO EQUALIZE THE EXCISE TAX RATES OF BEER AND HARD CIDER.

Basic Change :

Sponsor: Representative J. Williams

HB1503 would establish the excise tax rate for hard cider to be equal to the current excise tax rate levied on beer. "Hard cider" is defined in the Arkansas Small Brewery Act as a liquor brewed from the fermented juices of fruit and containing more than three percent (3%) and not more than twenty-one percent (21%) alcohol by weight. See § 3-5-1403(5). Hard cider is currently taxed as wine or light wine dependent on the alcohol content of the product. For hard ciders with less than 5% of alcohol by weight, the light wine excise tax is levied at the rate of \$.25 per gallon. For hard ciders with 5% or more of alcohol by weight, the wine excise tax of \$.75 per gallon is levied. The bill would change the method of taxation to equal the tax rate on beer at \$7.50 per barrel (\$.2419 per gallon).

Revenue Impact :

\$12,500 Annual Reduction to State General Revenues

[Depending on alcohol content, hard cider is subject to the wine or the light wine excise tax in Arkansas dependent on the alcohol content of the product. Current light wine revenue attributable to hard cider with an alcohol content of less than 5% by weight and taxed at the light wine rate of \$.25 cents per gallon totaled approximately \$32,000 in FY2016. For hard ciders being reported as wine with an alcohol content of 5% or more and taxed at the rate of \$.75 per gallon, FY2016 revenue totaled approximately \$17,000. A change to levy the beer excise tax on all sales of hard cider would result in an annual reduction of state general revenue of \$12,500.]

Taxpayer Impact :

Breweries, manufacturers, distributors and wholesalers of hard cider would report the beer gallonage tax instead of the wine excise taxes.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

None.

Other Comments :

None.

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Legal Analysis :

The bill does not have a specific effective date. Tax on hard ciders are reported in the same manner as all taxes on alcoholic beverages with taxes being reported on a monthly basis. To simplify the change of taxation of hard cider, an effective date of the first day of a calendar month would allow taxpayers to report only one tax rate for an entire month versus reporting different tax rates for a portion of a month during the month of tax rate change. It is recommended that the bill be amended to provide a specific effective date.