

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1503

Amendment Number: H1

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

Engrossment 02/27/17 --- House Amendment 1 --- Amends the bill to provide a specific effective date that would be the first day of the first month following the effective date of the act. A tax rate change occurring in mid-month results in taxpayers having to file two tax reports during the month of change and requires DFA to make provisions for receiving both reports although the tax reporting systems are not configured to receive multiple timely-filed tax reports. The amendment will allow taxpayers to file one tax report during the month of the change instead of two reports and for the tax reporting systems used by the taxpayer and DFA to require no change in procedure. In all likelihood the bill would be effective on September 1, 2017.

Original Bill --- 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.

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Procedural Changes :

None.

Other Comments :

None.

Legal Analysis :

HB1503-H1 adds an effective date to the bill. The bill becomes effective the first day of the first month after the bill's effective date. HB1503 as originally introduced clarifies existing law as it relates to hard cider. The bill specifies that hard cider should be taxed at the same rate as beer and does not fall within any other definition of liquor. The effect of this bill is to equalize taxation of hard cider with beer.