

Department of Finance and Administration

Legislative Impact Statement

Bill: SB725

Bill Subtitle: TO AMEND THE ARKANSAS SOFT DRINK TAX ACT; AND TO AMEND THE CALCULATION OF TAXES ON SOFT DRINK SYRUP AND SIMPLE SYRUP.

Basic Change : Sponsor: Senator Files

This proposal would reduce the current Soft Drink tax rate on Syrup/Simple Syrups from two dollars (\$2.00) per gallon for each gallon of soft drink syrup or simple syrup sold or offered for sale in the State to twenty-one cents (21¢) for each gallon of soft drink that may be produced from each package or container of syrup when following the manufacturer's directions. Ark. Code Ann. § 26-57-908 provides that all revenues generated from the soft drink tax are deposited to the Arkansas Medicaid Program Trust Fund. None of the Soft Drink Tax revenues are designated as General Revenues.

Revenue Impact :

FY2016

\$ 3.9 Million loss to Medicaid Program Trust Fund
[Calculation based on September 1, 2015 effective date.]

FY2017

\$ 5.2 Million loss to Medicaid Program Trust Fund
[Revenue Impact based on 2014 Soft Drink Tax Collection Amounts]

Taxpayer Impact :

If adopted, wholesale and retail taxpayers selling soft drink syrups would report reduced tax amounts beginning on the effective date of this proposal.

Resources Required :

None

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Education of the staff and the adoption of rules for this addition would also be necessary.

Legal Analysis :

SB725 would change the tax levy on soft drink syrup and simple syrup. The current tax levy imposes tax at the rate of \$2.00 per gallon of soft drink syrup or simple syrup. This bill would change that levy to a tax imposed at the rate \$.21 per gallon of soft drink that would be produced from the soft drink syrup or simple syrup when following the manufacturer's directions. SB725 provides that it would be effective on the first day of the calendar month following the effective date of the act.