

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1316

Bill Subtitle: TO PHASE OUT THE SOFT DRINK TAX; TO REDUCE THE SOFT DRINK TAX; AND TO PROVIDE FOR THE EXPIRATION OF THE ARKANSAS SOFT DRINK TAX ACT.

Basic Change :

**Sponsors: Reps. L. Fite and, Beaty Jr., M. Berry, Boyd, Bragg, Brooks, Brown, Crawford, Deffenbaugh, Hollowell, Jean, Lowery, Lundstrum, Lynch, Miller, Ray, Slape, S. Smith, Warren, and Watson
Sens. L. Eads, T. Garner, Gilmore, and K. Hammer**

HB1316 reduces and ultimately eliminates the existing soft drink tax levied under § 26-57-904. This tax is levied on the sale of soft drink syrup or simple syrup at the rate of one dollar and twenty-six cents (\$1.26) per gallon, bottled soft drinks at the rate of twenty and six-tenths cents (20.6¢) per gallon, and powders and base products at the rate of twenty and six-tenths cents (20.6¢) per gallon that may be produced. Distributors, manufacturers, and wholesalers are required to collect the tax.

HB1316 will gradually phase-out the soft drink tax by implementing increasing tax rate reductions for each category of soft drink on January 1, 2023 and January 1, 2024. The soft drink tax will cease entirely on January 1, 2025.

Revenue Impact :

Tax Rate Reduction

January 1 Effective Dates of Change

Impact Based on Actual FY2020 Soft Drink Tax Collections of \$39,437,944

January 1 Tax Rate Changes

1st Rate Change	1-Jan-23	
2nd Rate Change	1-Jan-24	
3rd Rate Change	1-Jan-25	Phased Out

<u>Fiscal Year Impact</u>	Fiscal Year Tax Reduction Amount	Total Tax Reduction Amount - Accumulating Total	Remaining Soft Drink Tax Collections per Fiscal Year
FY2023	\$ (4,108,119)	\$ (4,108,119)	\$ 35,329,825
FY2024	\$ (11,913,546)	\$ (16,021,665)	\$ 23,416,279
FY2025	\$ (14,789,229)	\$ (30,810,894)	\$ 8,627,050

Taxpayer Impact :

The soft drink tax will be phased out with reductions on January 1, 2023 and January 1, 2024, and then eliminated on January 1, 2025.

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Resources Required :

Computer programs, training procedures, forms and instructions will need to be updated.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Rules, tax forms, and instructions will need to be updated and Department employees will need to be trained about the changes for processing returns. The tax community will need to be educated as well.

Other Comments :

None.

Legal Analysis :

HB1316 reduces and ultimately repeals law that was confirmed by Act 7 of the 2d Ex. Session of 1992 by a referendum vote during the 1994 general election. Article 5, § 1 of the Arkansas Constitution, as amended by Amendment 7, provides that "No measure approved by a vote of the people shall be amended or repealed by the General Assembly ... except upon a yea and nay vote on roll call of two-thirds of all the members elected to each house of the General Assembly." Accordingly, the General Assembly must conduct a roll call vote to amend or repeal the soft drink tax and any amendment or repeal must receive a two-thirds vote for approval.