Department of Finance and Administration

Legislative Impact Statement

Bill: SB230
Bill Subtitle: AN ACT TO REQUIRE WINERIES TO COLLECT LOCAL TAXES ON DIRECT SHIPMENTS OF WINE.

Basic Change : Sponsor: Sen. Teague

The bill amends Arkansas law regarding the collection of local city and county sales and use taxes on wine shipped directly to Arkansas consumers from out of state wineries. Act 483 of 2013 authorized wineries to ship wine directly to Arkansas consumers. Consumers must purchase the wine while physically present at the winery and the winery must register with the Arkansas Beverage Control Division. One section of Act 483 provided that the winery must collect all sales and excise taxes in the same manner as any other retail seller of wine except that the winery is not required to collect a local tax that would be imposed by a municipality, town, or other political subdivision of the state. This provision is contrary to the terms of the Streamlined Sales Tax Agreement by creating a different tax base for state sales tax and local sales tax purposes. This non-conforming provision in Arkansas law subjects the state to being found out of compliance with the Agreement. The non-conforming law risks current sales tax collections from volunteer sellers collecting the Arkansas taxes of approximately $10 million per year.

Revenue Impact :

No Increase in State Revenues. Local Arkansas cities and counties would receive minimal additional revenue. Risk of loss of $10 million per year in state and local sales taxes remitted by volunteer out-of-state sellers reporting under the terms of Streamlined Sales Tax Agreement will be eliminated.

Taxpayer Impact :

All sellers of wine including out-of-state wineries when welling to Arkansas citizens would be treated equally in their responsibility to collect Arkansas state and local taxes.

Resources Required :

None

Time Required :

Adequate time is provided for implementation

Procedural Changes :

Education of staff and taxpayers in change of law.

Legal Analysis :

The Streamlined Sales Tax Agreement requires that state and local tax bases be uniform unless otherwise prohibited by federal law. SB230 removes the section of our statute that permitted wineries to not collect local sales taxes. Current state law violates the provisions of the Agreement and risks the loss of state revenues collected under that Agreement. This change will allow the State of Arkansas to be in compliance with the Agreement and eliminate the risk of losing state revenues.