



**State of Arkansas  
Department of Finance and Administration  
Fiscal Impact Statement**

**Bill: HB1636**

**Amendment Number: H1**

**Bill Subtitle: TO AMEND THE ARKANSAS SOFT DRINK TAX ACT, AS AFFIRMED BY REFERRED ACT 1 OF 1994; AND TO PHASE OUT THE SOFT DRINK TAX BASED ON SALES TAX COLLECTIONS FROM SALES OF SOFT DRINKS.**

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**Sponsors:**

**Reps. Ray, Hawk, J. Moore, Achor, Andrews, Beaty, Bentley, S. Berry, Breaux, Brooks, A. Brown, K. Brown, M. Brown, N. Burkes, John Carr, Cooper, Cozart, Crawford, Duffield, Eaton, Furman, Gramlich, Hollowell, Ladyman, Long, Lundstrum, McAlindon, McCollum, McKenzie, McNair, S. Meeks, Nazarenko, R. Scott Richardson, Richmond, Rose, Rye, Tosh, Underwood, Unger, Vaught, Wing, Womack, Beck, and Torres**

**Sens. Petty and McKee**

**Basic Change:**

HB1636-H1 (engrossed 3/11/25) provides for a phased reduction and ultimate elimination of the existing soft drink tax levied under § 26-57-904 ("soft drink tax") if certain conditions are met.

Under current law, the soft drink tax is levied on the sale of soft drink syrup or simple syrup at the rate of \$1.26 per gallon, bottled soft drinks at the rate of 20.6¢ per gallon, and powders and base products at the rate of 20.6¢ per gallon. Distributors, manufacturers, and wholesalers are required to collect the tax.

HB1636-H1 requires the Department of Finance and Administration (DFA) to estimate the amount of sales and use tax collected on sales of soft drinks ("estimated amount") during a fiscal year within 90 calendar days of the end of each fiscal year. The implementation of the phased reductions turns on the estimated amount as determined by DFA.

**Phase 1 Reduction**

If the estimated amount is at least \$16,000,000, then beginning July 1 of the following year the soft drink tax rates are to be reduced as follows:

- 96¢ per gallon on soft drink syrup or simple syrup sold;
- 16¢ per gallon on bottled soft drinks sold; and
- 16¢ per gallon on powders and base products sold.

**Phase 2 Reduction**

An additional reduction is allowed if: (1) the estimated amount is at least \$25,000,000; (2) all earlier phases have been implemented; and (3) the soft drink tax rate has not already been reduced during the current fiscal year. Beginning July 1 of the year following the first year that these conditions have been satisfied, the soft drink tax rates are to be reduced as follows:



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- 72¢ per gallon on soft drink syrup or simple syrup sold;
- 12¢ per gallon on bottled soft drinks sold; and
- 12¢ per gallon on powders and base products sold.

**Phase 3 Reduction**

An additional reduction is allowed if: (1) the estimated amount is at least \$34,000,000; (2) all earlier phases have been implemented; and (3) the soft drink tax rate has not already been reduced during the current fiscal year. Beginning July 1 of the year following the first year that these conditions have been satisfied, the soft drink tax rates are to be reduced as follows:

- 48¢ per gallon on soft drink syrup or simple syrup sold;
- 8¢ per gallon on bottled soft drinks sold; and
- 8¢ per gallon on powders and base products sold.

**Phase 4 Reduction**

An additional reduction is allowed if: (1) the estimated amount is at least \$43,000,000; (2) all earlier phases have been implemented; and (3) the soft drink tax rate has not already been reduced during the current fiscal year. Beginning July 1 of the year following the first year that these conditions have been satisfied, the soft drink tax rates are to be reduced as follows:

- 24¢ per gallon on soft drink syrup or simple syrup sold;
- 4¢ per gallon on bottled soft drinks sold; and
- 4¢ per gallon on powders and base products sold.

**Phase 5 Reduction**

An additional reduction is allowed if: (1) the estimated amount is at least \$52,000,000; (2) all earlier phases have been implemented; and (3) the soft drink tax rate has not already been reduced during the current fiscal year. Beginning July 1 of the year following the first year that these conditions have been satisfied, the soft drink tax rates are to be reduced as follows:

- 0¢ per gallon on soft drink syrup or simple syrup sold;
- 0¢ per gallon on bottled soft drinks sold; and
- 0¢ per gallon on powders and base products sold.

Once the rate of soft drink tax has been reduced to 0¢, HB1636-H1 repeals the Arkansas Soft Drink Tax Act. The bill requires DFA to notify the Bureau of Legislative Research and the Arkansas Code Revision Commission that the rate has been reduced to 0¢ so that the Soft Drink Tax Act may be removed from the code.



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**Fiscal Impact:**

	FY2024	Rate	Net Gallons	
Bottled Soft Drinks	\$33,553,267	\$0.206	162,879,935	
Powders & Bases	\$190,060	\$0.206	\$922,621	
Syrup	\$8,808,618	\$1.260	\$6,990,967	
TOTAL	\$42,551,945			
	1st Rate Reduction	FY Total	Loss	
Bottled Soft Drinks	\$0.16	\$26,060,790	(\$7,492,477)	
Powders & Bases	\$0.16	\$147,619	(\$42,441)	
Syrup	\$0.96	\$6,711,328	(\$2,097,290)	
TOTAL		\$32,919,737	(\$9,632,208)	
	2nd Rate Reduction	FY Total	Loss	Cumulative Loss
Bottled Soft Drinks	\$0.12	\$19,545,592	(\$6,515,197)	(\$14,007,674)
Powders & Bases	\$0.12	\$110,715	(\$36,905)	(\$79,345)
Syrup	\$0.72	\$5,033,496	(\$1,677,832)	(\$3,775,122)
TOTAL		\$24,689,803	(\$8,229,934)	(\$17,862,142)
	3rd Rate Reduction	FY Total	Loss	Cumulative Loss
Bottled Soft Drinks	\$0.08	\$13,030,395	(\$6,515,197)	(\$20,522,872)
Powders & Bases	\$0.08	\$73,810	(\$36,905)	(\$116,250)
Syrup	\$0.48	\$3,355,664	(\$1,677,832)	(\$5,452,954)
TOTAL		\$16,459,869	(\$8,229,934)	(\$26,092,076)
	4th Rate Reduction	FY Total	Loss	Cumulative Loss
Bottled Soft Drinks	\$0.04	\$6,515,197	(\$6,515,197)	(\$27,038,069)
Powders & Bases	\$0.04	\$36,905	(\$36,905)	(\$153,155)
Syrup	\$0.24	\$1,677,832	(\$1,677,832)	(\$7,130,786)
TOTAL		\$8,229,934	(\$8,229,934)	(\$34,322,011)
	5th Rate Reduction	FY Total	Loss	Cumulative Loss
Bottled Soft Drinks	\$0.00	\$0.00	(\$6,515,197)	(\$33,553,267)
Powders & Bases	\$0.00	\$0.00	(\$36,905)	(\$190,060)
Syrup	\$0.00	\$0.00	(\$1,677,832)	(\$8,808,618)
TOTAL		\$0.00	(\$8,229,934)	(\$42,551,945)



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[ The revenues derived from the soft drink tax are special revenues deposited into the Arkansas Medicaid Program Trust Fund. ]

**Taxpayer Impact:**

The soft drink tax will be phased out and eventually repealed.

**Resources Required:**

Estimated programming costs for the Arkansas Integrated Revenue System (AIRS) are \$18,000 for the first year with annual maintenance costs of \$4,000.

**Time Required:**

Adequate time is provided for implementation.

**Procedural Changes:**

Computer programs, websites and training manuals may need to be updated annually to account for the changes.

**Other Comments:**

None.

**Legal Analysis:**

HB1636-H1 may benefit from clarification on the timing of the soft drink tax reductions. After the first reduction, each phase includes a condition for implementation that a soft drink tax reduction has not already occurred during the current fiscal year. The bill may benefit from clarification as to whether this condition is intended to include a reduction resulting from implementation of an earlier phased reduction.

For example, if the Phase 1 reduction is implemented on July 1, 2026, and DFA estimates within 90 days that sales and use tax revenues exceeded \$25,000,000 in FY2026, it is unclear whether the Phase 1 reduction would be considered a reduction of the tax rate in that fiscal year so as to preclude implementation of Phase 2 on July 1, 2027.