



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

Bill: HB1491

Amendment Number: H1

Bill Subtitle: CONCERNING THE EXCISE TAX ON CERTAIN BEER AND SAKE; TO CREATE AN EXCISE TAX CREDIT FOR CERTAIN BEER AND SAKE PRODUCED USING ARKANSAS RICE; AND FOR OTHER PURPOSES.

Taxpayer Impact:

A taxpayer that reports the excise taxes under §§ 3-7-104(6)(A), § 3-5-1205(3), or 3-5-1408(3) on sake or beer containing at least 20% Arkansas rice may be eligible to claim a credit towards excise taxes due.

Resources Required:

The Arkansas Integrated Revenue System (AIRS) will need to be modified with a project cost of \$12,000.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

Changes to the excise tax beer return and instructions would need to be programmed and tested. DFA tax staff will need to be trained on this new excise tax credit. Rules to provide a method of reporting and claiming a credit will have to be promulgated.

Other Comments:

Each producer of beer and sake would need to provide a list of qualifying products subject to this credit. DFA does not currently collect the data contained in the total grain bill.

Legal Analysis:

Original Bill --- HB1491 may benefit from clarification as to what constitutes "Arkansas rice." It is unclear if Arkansas rice refers to rice grown, milled, processed, sold, or all of these, within Arkansas.

HB1491 might further benefit from clarification on the extent to which the credit applies to sake. While the bill refers to "qualified beer and sake," the credit provided is against the tax imposed in § 3-7-104(6)(A), which imposes tax on beer and cider. It is not clear whether sake can be considered "beer" for purposes of the credit.

Additionally, § 3-5-1408 of the Small Brewery Act provides that beer, malt beverages, and hard cider are free from the taxes imposed in § 3-7-104; however, the Small Brewery Act imposes a similar tax at the rate of \$7.50 per barrel on all beer, malt beverages, and hard cider in certain quantities sold or offered for sale in the state. Accordingly, if sake is produced by the holder of a small brewery license, the tax imposed under the Small Brewery Act would not be eligible for the credit provided by the bill.