

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas
95th General Assembly
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As Engrossed: H3/11/25 H3/12/25

A Bill

HOUSE BILL 1636

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

By: Senators J. Petty, M. McKee

For An Act To Be Entitled

AN ACT TO AMEND THE LAW CONCERNING TAXES ON SOFT DRINKS; TO REQUIRE THE DEPARTMENT OF FINANCE AND ADMINISTRATION TO *ESTIMATE* THE AMOUNT OF SALES TAX REVENUES DERIVED FROM THE SALE OF SOFT DRINKS; TO AMEND THE ARKANSAS SOFT DRINK TAX ACT, AS AFFIRMED BY REFERRED ACT 1 OF 1994; TO PHASE OUT THE SOFT DRINK TAX; TO PROVIDE RESTRICTIONS ON THE REDUCTION OF THE SOFT DRINK TAX; AND FOR OTHER PURPOSES.

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.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 26, Chapter 52, Subchapter 1, is amended to add an additional section to read as follows:

26-52-112. Report on revenues derived from sale of soft drinks.

Within ninety (90) calendar days of the end of each fiscal year, the Department of Finance and Administration shall estimate the amount of revenue



derived from the gross receipts tax levied by this chapter and the compensating use tax levied by the Arkansas Compensating Tax Act of 1949, § 26-53-101 et seq., on soft drinks during the fiscal year.

SECTION 2. Arkansas Code § 26-57-904(a), concerning the tax rate under the Arkansas Soft Drink Tax Act, is amended to read as follows:

(a) There is hereby levied and there shall be collected a tax upon every distributor, manufacturer, or wholesale dealer, to be calculated as follows:

(1)(A) One dollar and twenty-six cents (\$1.26) per gallon for each gallon of soft drink syrup or simple syrup sold or offered for sale in the State of Arkansas.

(B)(i) By December 1 of each year, the Chief Fiscal Officer of the State shall determine the amount estimated under § 26-52-112 for the fiscal year ending June 30 of that year.

(ii) Beginning July 1 of the year following the first year that the amount determined under subdivision (a)(1)(B)(i) of this section is at least sixteen million dollars (\$16,000,000), the tax levied under this subdivision (a)(1) shall be ninety-six cents (96¢).

(iii) Beginning July 1 of the year following the first year that the following conditions are met, the tax levied under this subdivision (a)(1) shall be seventy-two cents (72¢):

(a) The amount determined under subdivision (a)(1)(B)(i) of this section is at least twenty-five million dollars (\$25,000,000); and

(b) The tax levied under this subdivision (a)(1) has:

(1) Already been reduced under subdivision (a)(1)(B)(ii) of this section; and

(2) Not already been reduced under this section during the current fiscal year.

(iv) Beginning July 1 of the year following the first year that the following conditions are met, the tax levied under this subdivision (a)(1) shall be forty-eight cents (48¢):

(a) The amount determined under subdivision (a)(1)(B)(i) of this section is at least thirty-four million dollars

(\$34,000,000); and

(b) The tax levied under this subdivision

(a)(1) has:

(1) Already been reduced under subdivisions (a)(1)(B)(ii) and (iii) of this section; and

(2) Not already been reduced under this section during the current fiscal year.

(v) Beginning July 1 of the year following the first year that the following conditions are met, the tax levied under this subdivision (a)(1) shall be twenty-four cents (24¢):

(a) The amount determined under subdivision (a)(1)(B)(i) of this section is at least forty-three million dollars (\$43,000,000); and

(b) The tax levied under this subdivision

(a)(1) has:

(1) Already been reduced under subdivisions (a)(1)(B)(ii)-(iv) of this section; and

(2) Not already been reduced under this section during the current fiscal year.

(vi) Beginning July 1 of the year following the first year that the following conditions are met, the tax levied under this subdivision (a)(1) shall be zero cents (0¢):

(a) The amount determined under subdivision (a)(1)(B)(i) of this section is at least fifty-two million dollars (\$52,000,000); and

(b) The tax levied under this subdivision

(a)(1) has:

(1) Already been reduced under subdivisions (a)(1)(B)(ii)-(v) of this section; and

(2) Not already been reduced under this section during the current fiscal year;

(2)(A) Twenty and six-tenths cents (20.6¢) per gallon for each gallon of bottled soft drinks sold or offered for sale in the State of Arkansas.

(B)(i) By December 1 of each year, the Chief Fiscal Officer of the State shall determine the amount *estimated* under § 26-52-112

for the fiscal year ending June 30 of that year.

(ii) Beginning July 1 of the year following the first year that the amount determined under subdivision (a)(2)(B)(i) of this section is at least sixteen million dollars (\$16,000,000), the tax levied under this subdivision (a)(2) shall be sixteen cents (16¢).

(iii) Beginning July 1 of the year following the first year that the following conditions are met, the tax levied under this subdivision (a)(2) shall be twelve cents (12¢):

(a) The amount determined under subdivision (a)(2)(B)(i) of this section is at least twenty-five million dollars (\$25,000,000); and

(b) The tax levied under this subdivision (a)(2) has:

(1) Already been reduced under subdivision (a)(2)(B)(ii) of this section; and

(2) Not already been reduced under this section during the current fiscal year.

(iv) Beginning July 1 of the year following the first year that the following conditions are met, the tax levied under this subdivision (a)(2) shall be eight cents (8¢):

(a) The amount determined under subdivision (a)(2)(B)(i) of this section is at least thirty-four million dollars (\$34,000,000); and

(b) The tax levied under this subdivision (a)(2) has:

(1) Already been reduced under subdivisions (a)(2)(B)(ii) and (iii) of this section; and

(2) Not already been reduced under this section during the current fiscal year.

(v) Beginning July 1 of the year following the first year that the following conditions are met, the tax levied under this subdivision (a)(2) shall be four cents (4¢):

(a) The amount determined under subdivision (a)(2)(B)(i) of this section is at least forty-three million dollars (\$43,000,000); and

(b) The tax levied under this subdivision

(a)(2) has:

(1) Already been reduced under subdivisions (a)(2)(B)(ii)-(iv) of this section; and

(2) Not already been reduced under this section during the current fiscal year.

(vi) Beginning July 1 of the year following the first year that the following conditions are met, the tax levied under this subdivision (a)(2) shall be zero cents (0¢):

(a) The amount determined under subdivision (a)(2)(B)(i) of this section is at least fifty-two million dollars (\$52,000,000); and

(b) The tax levied under this subdivision

(a)(2) has:

(1) Already been reduced under subdivisions (a)(2)(B)(ii)-(v) of this section; and

(2) Not already been reduced under this section during the current fiscal year; and

(3)(A) When a package or container of powder or other base product, other than a syrup or simple syrup, is sold or offered for sale in Arkansas, and the powder is for the purpose of producing a liquid soft drink, then the tax on the sale of each package or container shall be equal to twenty and six-tenths cents (20.6¢) for each gallon of soft drink which may be produced from each package or container by following the manufacturer's directions.

(B)(i) By December 1 of each year, the Chief Fiscal Officer of the State shall determine the amount *estimated* under § 26-52-112 for the fiscal year ending June 30 of that year.

(ii) Beginning July 1 of the year following the first year that the amount determined under subdivision (a)(3)(B)(i) of this section is at least sixteen million dollars (\$16,000,000), the tax levied under this subdivision (a)(3) shall be sixteen cents (16¢).

(iii) Beginning July 1 of the year following the first year that the following conditions are met, the tax levied under this subdivision (a)(3) shall be twelve cents (12¢):

(a) The amount determined under subdivision (a)(3)(B)(i) of this section is at least twenty-five million dollars

(\$25,000,000); and

(b) The tax levied under this subdivision

(a)(3) has:

(1) Already been reduced under

subdivision (a)(3)(B)(ii) of this section; and

(2) Not already been reduced under this

section during the current fiscal year.

(iv) Beginning July 1 of the year following the

first year that the following conditions are met, the tax levied under this subdivision (a)(3) shall be eight cents (8¢):

(a) The amount determined under subdivision

(a)(3)(B)(i) of this section is at least thirty-four million dollars

(\$34,000,000); and

(b) The tax levied under this subdivision

(a)(3) has:

(1) Already been reduced under

subdivisions (a)(3)(B)(ii) and (iii) of this section; and

(2) Not already been reduced under this

section during the current fiscal year.

(v) Beginning July 1 of the year following the first

year that the following conditions are met, the tax levied under this subdivision (a)(3) shall be four cents (4¢):

(a) The amount determined under subdivision

(a)(3)(B)(i) of this section is at least forty-three million dollars

(\$43,000,000); and

(b) The tax levied under this subdivision

(a)(3) has:

(1) Already been reduced under

subdivisions (a)(3)(B)(ii)-(iv) of this section; and

(2) Not already been reduced under this

section during the current fiscal year.

(vi) Beginning July 1 of the year following the

first year that the following conditions are met, the tax levied under this subdivision (a)(3) shall be zero cents (0¢):

(a) The amount determined under subdivision

(a)(3)(B)(i) of this section is at least fifty-two million dollars

(\$52,000,000); and

(b) The tax levied under this subdivision

(a)(3) has:

(1) Already been reduced under subdivisions (a)(3)(B)(ii)-(v) of this section; and

(2) Not already been reduced under this section during the current fiscal year.

(C) This tax applies when the sale of the powder or other base is sold to a retailer for sale to the ultimate consumer after the liquid soft drink is produced by the retailer.

SECTION 3. DO NOT CODIFY. Repeal – Removal from Arkansas Code.

When all taxes levied under the Arkansas Soft Drink Tax Act, Arkansas Code § 26-57-901 et seq., have been reduced to a rate of zero cents (0¢), the:

(1) Arkansas Soft Drink Tax Act, Arkansas Code § 26-57-901 et seq. is repealed;

(2) Secretary of the Department of Finance and Administration shall notify the Director of the Bureau of Legislative Research and the Arkansas Code Revision Commission; and

(3) Upon notification from the secretary under this section, the commission may remove the Arkansas Soft Drink Tax Act, Arkansas Code § 26-57-901 et seq., from the Arkansas Code.

/s/Ray