

**SUMMARY OF PROPOSAL #6**  
*for consideration by the*  
**ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**

**TOPIC: Tax on Alcoholic Beverages**

**Summary of Proposal for Consideration**

To convert the taxes on alcoholic beverages to a percentage of the purchase price rather than a tax based on volume.

**Fiscal Analysis**

This proposal is intended to be revenue neutral at the point of the change in the law.

The Department of Finance and Administration (DFA) is unable to provide a fiscal impact or alternative calculation for this proposal because the alcoholic beverage taxes are manufacturer-level excise taxes. DFA does not have available the average wholesale cost on which this calculation could be made.

**Legal Analysis**

***Current Law***

Arkansas currently levies taxes on alcoholic beverages at the following rates<sup>1</sup>:

<b>Alcoholic Beverage</b>	<b>Tax Rate</b>
Beer and Hard Cider	\$7.50 per barrel (5% alcohol or less) 25¢ per barrel
Wine (imported and native)	5¢ per case
Imported Vinous Liquor	75¢ per gallon
Imported Light Wine	25¢ per gallon
Spirituos Liquor	\$2.50 per gallon 20¢ per case
Malt Liquor	20¢ per gallon
Pre-Mixed Spirituous Liquor	\$1.00 per gallon 5¢ per case
Light Spirituous Liquor	50¢ per gallon 5¢ per case
Mixed Drinks (on-premise consumption)	14% of gross receipts

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<sup>1</sup> The taxes on alcoholic beverages can be found in Arkansas Code §§ 3-7-104, 3-7-111, 3-9-213, and 3-9-223.

Arkansas also levies a one percent (1%) special excise tax on all retail receipts or proceeds derived from the sale of beer and a three percent (3%) special excise tax on all retail receipts or proceeds derived from the sale of liquor, cordials, liqueurs, specialties, and sparkling and still wines. Ark. Code Ann. § 3-7-201.

Most of the revenues derived from taxes on alcoholic beverages are general revenues. However, the revenues derived from the additional four-percent Mixed Drink Tax are special revenues that are credited to the University of Arkansas Medical Center Fund.

### *History*

Act 7 of 1933 (1<sup>st</sup> Ex. Sess.) levied a tax of one dollar (\$1.00) per barrel of light wine or beer that has an alcoholic content of three and two-tenths percent (3.2%) or less and that is received, handled, possessed, manufactured, or sold in the state.

Act 109 of 1935 imposed a tax of forty cents (40¢) on each gallon of spirituous liquor, ten cents (10¢) on each gallon of vinous liquor (except native wine), and three cents (3¢) on each gallon of malt liquor.

Act 236 of 1937 imposed an additional tax of twenty-five cents (25¢) on each gallon of spirituous liquor.

Act 18 of 1938 (1<sup>st</sup> Ex. Sess.) levied an additional tax of fifteen cents (15¢) on each gallon of spirituous liquor and increased the tax on vinous liquor to fifty cents (50¢) per gallon.

Act 310 of 1939 levied a sales tax of three dollars and fifty cents (\$3.50) per barrel of beer and a sales tax of three percent (3%) on each gallon of spirituous liquor, vinous liquor, and wine.

Act 393 of 1939 levied an additional tax of thirty-two cents (32¢) for each gallon of spirituous liquor.

Act 266 of 1941 amended the tax rates to provide for a tax of one dollar and twelve cents (\$1.12) for each gallon of spirituous liquor, a tax of sixty cents (60¢) for each gallon of vinous liquor, and a tax of twenty cents (20¢) on each gallon of malt liquor. The act also increased the sales tax on beer to five dollars (\$5.00) per barrel.

Act 313 of 1945 levied a temporary additional tax of thirty-eight cents (38¢) on each gallon of spirituous liquor for the purpose of providing funds for permanent facilities for the Arkansas Livestock Show Association. This additional tax expired May 31, 1947.

Act 108 of 1947 repealed the taxes established under Act 109 of 1935 and imposed a tax of two dollars and fifty cents (\$2.50) on each gallon of spirituous liquor, seventy-five cents (75¢) on each gallon of vinous liquor (except native wine), twenty cents (20¢) on each gallon of malt liquor, and five dollars (\$5.00) per barrel of beer.

Act 282 of 1949 levied a tax of twenty-five cents (25¢) per case of liquor, cordials, liqueurs, and specialties and a tax of ten cents (10¢) per case of sparkling and still wine.

Act 252 of 1951 levied a tax of three percent (3%) on liquor, cordials, liqueurs, specialties, and sparkling and still wine.

Act 385 of 1953 reduced the additional case tax to twenty cents (20¢) per case of liquor, cordials, liqueurs, and specialties and five cents (5¢) per case of sparkling and still wine.

Act 132 of 1969 levied a supplemental tax of ten percent (10%) on the gross proceeds or gross receipts from the sale of all intoxicating beverages other than beer and native wine that were sold for on-premise consumption. This later became known as the “Mixed Drink Tax”.

Act 169 of 1969 increased the tax on beer to seven dollars and fifty cents (\$7.50) per barrel for beer having an alcoholic content of more than three and two-tenths percent (3.2%) but not more than five percent (5%).

Act 271 of 1969 levied an additional tax of five cents (5¢) per case of native wine and twenty-five cents (25¢) per barrel of beer.

Act 844 of 1983 increased the tax on spirituous liquor to two dollars and eighty-seven and one-half cents (\$2.875) per gallon and increased the tax on beer having an alcoholic content of more than three and two-tenths percent (3.2%) to eight dollars and seventy-five cents (\$8.75) per barrel. The act also increased the Mixed Drink Tax to twelve percent (12%) and clarified that the tax does not apply to wine. However, the tax increases under this act were temporary and were set to expire when the sales tax increased, which occurred with Act 63 of 1983 (1<sup>st</sup> Ex. Sess.).

Act 1000 of 1985 and Act 639 of 1987 levied an additional three percent (3%) Mixed Drink Tax for temporary periods and dedicated the funds from the additional three percent (3%) tax to the University of Arkansas Medical Center Fund.

Act 1052 of 1985 subjected native wine to the special alcoholic beverage tax imposed on liquor, cordials, liqueurs, specialties, and sparkling and still wine under Act 252 of 1951.

Act 424 of 1987 levied a tax of one dollar (\$1.00) on each gallon of pre-mixed spirituous liquors, a tax of fifty cents (50¢) on each gallon of light spirituous liquor, and a tax of twenty-five cents (25¢) on each gallon of light wine. This act also extended the tax of seven dollars and fifty cents (\$7.50) per barrel to all beer having an alcoholic content of five percent (5%) or less. Additionally, the act levied a tax of five cents (5¢) on each case of light wine, pre-mixed spirituous liquors with an alcoholic content less than twenty-one percent (21%), and light spirituous liquors, and it levied a tax of twenty cents (20¢) on each case of pre-mixed spirituous liquors having an alcoholic content of at least twenty-one percent (21%).

Act 908 of 1989 and Act 261 of 1989 (1<sup>st</sup> Ex. Sess.) levied an additional four percent (4%) Mixed Drink Tax for a temporary period and dedicated the funds from the additional tax of

four percent (4%) to the University of Arkansas Medical Center Fund for loan repayments. The act excluded beer and wine from the tax.

Act 1841 of 2001 created an additional special excise tax of three percent (3%) on all retail receipts or proceeds derived from the sale of beer. The revenues from the additional tax were dedicated to providing subsidized child care for low-income families and supporting and expanding the Arkansas Better Chance Program. The additional tax was scheduled to sunset June 30, 2003, but it was extended for two years by Act 272 of 2003 and for another two years by Act 2188 of 2005.

Act 1274 of 2005 levied an additional tax of four percent (4%) on all alcoholic beverages except beer and wine. The act dedicated the revenues from the additional tax to the University of Arkansas Medical Center Fund for loan repayments. Once the loans are repaid, the revenues from the additional tax may be used for any purpose provided by law.

Act 869 of 2007 levied an additional excise tax of one percent (1%) on all retail receipts or proceeds derived from the sale of beer.

Act 671 of 2017 extended the tax of seven dollars and fifty cents (\$7.50) per barrel to hard cider.

***Potential Legal Issues***

None.