

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1378

Bill Subtitle: AN ACT TO ALLOW CERTAIN TYPES OF CORPORATIONS TO CONDUCT SAMPLING ACTIVITIES; AND TO ALLOW FOR THE DONATION OF ALCOHOLIC BEVERAGES TO A CHARITABLE EVENT FOR A SAMPLING ACTIVITY.

Basic Change :

Sponsor: Representative G. Hodges

HB1378 would allow a manufacturer or wholesaler of alcoholic beverages to provide and deliver beverage products to a qualified corporation to sample prior to offering the alcoholic beverages for sale. The proposal also provides rules governing the quantities, delivery, and sales. A "qualifying corporation" eligible to receive the sample products is defined as a publicly traded corporation that has its principal place of business in Arkansas and is permitted to sell alcoholic beverages for on-premises or off-premises consumption in Arkansas and other states. The corporation receiving the sample products must secure the products in locked storage containers and may allow sampling of the products only by an employee, a contractor, or an immediate family member. The beverage products may also be sampled at charitable events. Products remaining after sampling must be destroyed or safely stored. The bill also provides for an exemption from taxation of products provided to the eligible corporation for sampling purposes.

Revenue Impact :

Unknown revenue impact from loss of excise taxes and sales and use taxes on products brought to Arkansas for sampling purposes.

Taxpayer Impact :

Manufacturers or wholesalers of alcoholic beverages would be allowed to provide beverage products to publicly traded Arkansas corporations for purposes of product sampling prior to the corporation offering the products for sale at its business locations.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

None.

Other Comments :

None.

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Legal Analysis :

HB1378 creates an exception to the three-tier system administered by the Alcoholic Beverage Control Division ("ABC"). The exception would allow for any publicly-traded company that has its principal place of business in Arkansas to receive donated alcoholic beverage samples directly from the manufacturer. In function, this bill gives certain corporations the ability to sample beverages directly from manufacturers in order to decide whether or not to carry the beverage in retail outlets within and outside of the state. It also allows for these samples to be furnished without the ordinary labeling requirements under current Alcoholic Beverage Control laws. This bill does not allow for the donated samples to be sold in any Arkansas retail outlet.

Because this bill allows for distributors to be circumvented and specifically exempts these items from sales and use tax, it will impact collection of sales tax when these items are withdrawn from stock for sampling at a private residence or charitable event.