



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

**Bill: HB1491**

**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.**

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**Sponsors:**

**Reps. Wardlaw and J. Richardson**

**Sen. Dismang**

**Basic Change:**

HB1491 creates a tax credit for beer and sake produced with Arkansas rice. To qualify for the tax credit, the beer and sake shall:

- Contain at least 20% Arkansas rice as percentage weight of the total grain bill of the beer and sake; and
- Be subject to the excise tax levied in § 3-7-104(6)(A) (the "beer tax") which is levied at the rate of \$7.50 per barrel of 32 gallons on all beer having an alcoholic content of 5% or less by weight and hard cider.

The amount of credit available is to be calculated by multiplying the percentage weight of Arkansas rice in the total grain bill by the amount of excise tax due for the qualified beer or sake for the reporting period. The resulting amount can then be deducted from the excise tax due for the period.

HB1491 also directs the Alcoholic Beverage Control Division of the Department of Finance and Administration (ABC) to promulgate a rule providing a method by which the credit may be reported and claimed.

**Fiscal Impact:**

Undetermined amount of credits claimed will reduce excise tax collections.

[ The Department of Finance and Administration (DFA) does not have data to calculate the estimated fiscal impact of this credit. The amount of Arkansas rice included in the total grain bill is not data that is currently provided to DFA. This information would have to be provided by each manufacturer of qualified beer and sake produced utilizing Arkansas rice in production. ]

**Taxpayer Impact:**

A taxpayer that reports the wholesale beer excise tax 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.



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**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:**

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.