

INTERIM STUDY PROPOSAL 2025-071

State of Arkansas  
95th General Assembly  
Regular Session, 2025

*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

Filed with: House Committee on Revenue and Taxation  
pursuant to A.C.A. §10-3-217.

**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:

1       26-52-112. Report on revenues derived from sale of soft drinks.

2       Within ninety (90) calendar days of the end of each fiscal year, the  
3 Department of Finance and Administration shall estimate the amount of revenue  
4 derived from the gross receipts tax levied by this chapter and the  
5 compensating use tax levied by the Arkansas Compensating Tax Act of 1949, §  
6 26-53-101 et seq., on soft drinks during the fiscal year.

7  
8       SECTION 2. Arkansas Code § 26-57-904(a), concerning the tax rate under  
9 the Arkansas Soft Drink Tax Act, is amended to read as follows:

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

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

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

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

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

26                               (a) The amount determined under subdivision  
27 (a)(1)(B)(i) of this section is at least twenty-five million dollars  
28 (\$25,000,000); and

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

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

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

35                       (iv) Beginning July 1 of the year following the  
36 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

1 Arkansas.

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

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

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

12 (a) The amount determined under subdivision  
13 (a)(2)(B)(i) of this section is at least twenty-five million dollars  
14 (\$25,000,000); and

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

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

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

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

24 (a) The amount determined under subdivision  
25 (a)(2)(B)(i) of this section is at least thirty-four million dollars  
26 (\$34,000,000); and

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

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

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

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

36 (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

1 subdivision (a)(3) shall be twelve cents (12¢):

2 (a) The amount determined under subdivision  
3 (a)(3)(B)(i) of this section is at least twenty-five million dollars  
4 (\$25,000,000); and

5 (b) The tax levied under this subdivision  
6 (a)(3) has:

7 (1) Already been reduced under  
8 subdivision (a)(3)(B)(ii) of this section; and

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

11 (iv) Beginning July 1 of the year following the  
12 first year that the following conditions are met, the tax levied under this  
13 subdivision (a)(3) shall be eight cents (8¢):

14 (a) The amount determined under subdivision  
15 (a)(3)(B)(i) of this section is at least thirty-four million dollars  
16 (\$34,000,000); and

17 (b) The tax levied under this subdivision  
18 (a)(3) has:

19 (1) Already been reduced under  
20 subdivisions (a)(3)(B)(ii) and (iii) of this section; and

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

23 (v) Beginning July 1 of the year following the first  
24 year that the following conditions are met, the tax levied under this  
25 subdivision (a)(3) shall be four cents (4¢):

26 (a) The amount determined under subdivision  
27 (a)(3)(B)(i) of this section is at least forty-three million dollars  
28 (\$43,000,000); and

29 (b) The tax levied under this subdivision  
30 (a)(3) has:

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

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

35 (vi) Beginning July 1 of the year following the  
36 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

Referred requested by the Arkansas House of Representatives

Prepared by: JLL/AMS