TOPICS OF DISCUSSION

- Overview of Excise Taxation
- Gas Tax
- Alcohol Taxes
- Cigarette
- Suggested Reforms
we've worked for 81 years on objective research, data, & analysis at the federal, state, & local levels.
EXCISE TAXES
GENERAL OVERVIEW

- Imposed on specific (rather than general) sales, sometimes *ad valorem* but more often based on volume
- Generally thought of as an attempt to internalize the externalities associated with consumption of a particular good or service, which cannot be adequately addressed by a general sales tax
- Frequently, though, excise tax rates have more to do with revenue targets than any accounting of external costs.
- Excise taxes are often a declining source of revenue because the taxes themselves discourage consumption and favor substitutes.
  - Particularly true when excise taxes are levied in part to discourage or moderate consumption, e.g., cigarette taxes or soft drink taxes.
  - Even more significant when there’s an existing trend toward lower use.
EXCISE TAXES
GAS TAX

- At 21.8 cpg (including 0.3 cpg environmental assurance fee), Arkansas’ gas tax has the 40th-highest rate nationwide.

- In fiscal year 2015, 36.6 percent of state and local road spending was financed by gasoline and license taxes, 30th nationally.

- Only 37 percent of state and local road spending is covered by gasoline and license taxes, plus tolls and other user fees, 42nd nationally.
The tax rate has not kept up with inflation.
EXCISE TAXES
ALCOHOL TAXES

- Wine: $0.75 / gallon
- Liquor: $2.50 / gallon
**EXCISE TAXES**

***ALCOHOL TAXES***

- Beer: $0.23 / gallon
At $1.15 / pack, Arkansas' cigarette tax is the second-highest in the region after Texas, and well higher than neighboring MO ($0.17), TN ($0.62), or MS ($0.68).
How High Are Vapor Excise Taxes in Your State?

State & Local Vapor Excise Tax Rates, as of January 1, 2018

Note: (a) Tax is only applicable in Juneau, AK Arctic Borough, and Petersburg. (b) Tax is only applicable in Multnomah County. (c) Tax is only applicable in the City of Chicago. (d) Tax is only applicable in Cook County. (e) Tax is only applicable in Montgomery County. (f) Tax is on the wholesale cost of any product containing or derived from tobacco. The tax on an e-cigarette starter kit is calculated on the total cost unless the nicotine cartridges are sold separately and then the tax is levied only on the value of the nicotine cartridge.

Source: State statistics; Bloomberg DNA
How High Are Marijuana Taxes in Your State?

State Recreational Marijuana Excise Tax Rates, January 2018

Note: (*) Massachusetts has not yet begun recreational sales.

D.C. voters approved legalization and purchase of marijuana in 2014 but federal law prohibits any action to implement it. The New Hampshire Legislature voted this year to legalize the possession and growing of marijuana, but sales are not permitted. Alabama, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Nebraska, Oklahoma, Rhode Island, Tennessee, and Wisconsin impose a controlled substance tax on the purchase of illegal products. Vermont legalized the possession of recreational marijuana legislatively in January 2018, but is not implementing a legal recreational market. Maine legalized recreational marijuana in November 2016 by ballot Initiative, but the state has not implemented a legal recreational market. Legislation is pending that would create a taxing structure.

Source: Tax Foundation, "Massachusetts Increases Marijuana Tax Rate" (2017); state statutes; Bloomberg BNA.
Arkansas should consider raising the state’s gas tax to better fund transportation needs.
CONCLUSION

- Questions?

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