



SOFT DRINKS TAX

Manufacturers, distributors, wholesalers or retailers who first receive untaxed soft drink products are required to obtain a soft drink tax license and pay the soft drinks tax. The tax is paid only once.

The tax rates are:

- Syrups used in making soft drinks: 95 cents/gallon
- Simple syrups used in making soft drinks: 95 cents/gallon
- Soft drinks made from concentrates, powders or bases: 16 cents/finished gallon
- Bottled soft drinks: \$1.22/gross for each one cent of face value.

Distributors, wholesalers or retailers must apply for a license on Form L-1109-A. A license must be obtained for each place of business.

SOFT DRINK TAX - PHASE OUT AND REPEAL

The phase out incrementally reduces the soft drinks license tax in fiscal years beginning in 1996 through 2000. Effective July 1, 2001, the soft drinks license tax (Article 13, Chapter 21) is repealed.

The license tax due is reduced as follows for returns due during the applicable fiscal year:

| Fiscal Year | Liability Reduction |
|------------------------------|----------------------------|
| July 1, 1996 - June 30, 1997 | One-sixth |
| July 1, 1997 - June 30, 1998 | One-third |
| July 1, 1998 - June 30, 1999 | One-half |
| July 1, 1999 - June 30, 2000 | Two-thirds |
| July 1, 2000 - June 30, 2001 | Five-sixths |

If you have any additional questions, please call (803) 898-5800.

FREQUENTLY ASKED QUESTIONS AND LAW SUMMARIES

LICENSES TAXES - SOFT DRINK TAX:

1. What is the soft drink tax imposed on?

The soft drink tax is imposed on bottled soft drinks, syrup used to make a soft drink for sale, and powders and bases (including concentrates) used to make a soft drink for sale.

2. What are the tax rates on a finished soft drink, a syrup and powders and bases?

In accordance with Code Sections 12-21-1740, 12-21-1760, 12-21-1840, and 12-21-2120, the tax rate for bottled soft drinks, syrup, powders, and bases are as follows:

Bottled Soft Drinks: \$1.22/gross for each one cent of face value

Syrups: 95 cents/gallon

Powders and Bases (including concentrates): 16 cents/ gallon customarily manufactured from the contents of the package or container

3. When does the final phase out period occur for the repeal of the soft drink tax?

The soft drink tax will be repealed effective July 1, 2001; however, soft drink distributors liable for the soft drink tax will remain liable for any unpaid tax for all periods open under the statute of limitations. See Code Section 12-21-1745.

The phase out incrementally reduces the soft drinks license tax in fiscal years beginning in 1996 through 2000. The license tax due is reduced as follows for returns due during the applicable fiscal year:

July 1, 1996 - June 30, 1997 One-sixth

July 1, 1997 - June 30, 1998 One-third

July 1, 1998 - June 30, 1999 One-half

July 1, 1999 - June 30, 2000 Two-thirds

July 1, 2000 - June 30, 2001 Five sixths

4. Who is required to have a soft drink license?

Section 12-21-1710 states that a distributor, wholesaler, or retailer first receiving untaxed soft drinks or soft drink products shall obtain for each place of business a soft drink license. For the purpose of this section "place of business" means any place where soft drinks are manufactured by a distributor, or any place where untaxed bottled soft drink syrups and powders, base products, and other items taxed under this article are received or stored by a distributor, wholesale, or retail dealer. For the purpose of this section "distributors or wholesale dealers" include any person who receives, stores, manufactures, bottles, or sells bottled soft drinks, soft drink syrups or powders, or base products for mixing, compounding, or making soft drinks to retail dealers or other wholesale dealers for resale purposes. Out-of-state distributors and wholesale

dealers shall obtain appropriate distributors' or wholesale dealers' licenses upon compliance with the provisions of this article and the regulations and administrative rules as may be issued by the department.

5. What is the definition of a soft drink?

A "soft drink" is any complete nonalcoholic drink, whether carbonated or not, including, but not limited to, soda water, ginger ale, nu-grape, coca-cola, lime-cola, pepsi-cola, budwine, any product having an alcohol content of less than one-half percent of weight or volume, fruit juice, vegetable juice, milk drinks when any flavoring or syrup is added, cider, cordials, carbonated water, and all preparations commonly referred to as soft drinks of whatever kind or description.

See Code Section 12-21-1730 and 12-21-1860.

6. What is the definition of a "bottled soft drink," a "syrup," a "powder," a "base" and a "concentrate."

"Bottled soft drinks" means any complete, finished, ready-to-use nonalcoholic drink, whether carbonated or not, including, but not limited to, soda water, ginger ale, nu-grape, coca-cola, lime-cola, pepsi-cola, budwine, any product having an alcohol content of less than one-half percent of weight or volume, fruit juice, vegetable juice, milk drinks when any flavoring or syrup is added, cider, cordials, bottled carbonated water, and all bottled preparations commonly referred to as soft drinks of whatever kind or description. "Bottle" or "bottles", as used in this chapter, means in every instance any closed or sealed glass, metal, paper, or other type of bottle or container, regardless of the size of the container. "Bottled drinks", as used in this chapter, means in every instance soft drinks in any closed or sealed glass, metal, paper, or other type of bottle or container, regardless of the size of the container. See Code Section 12-21-1860.

'Syrup' means the compound mixture or basic ingredients used in making, mixing, or compounding soft drinks by the mixing with it of water, ice, fruits, milk, etc. to make a complete finished soft drink. Pepsi cola, coca cola, chocolate, etc. are common syrups. See Code Section 12-21-1750.

"Base" means the fundamental ingredient (other than a syrup) used in making a soft drink for sale. The tax imposed on bases does not apply to a base that is used in preparing tea, coffee, hot chocolate, cocoa, or to any frozen or freeze dried concentrate to which only water is added to produce a pure or vegetable juice.

"Powder" means any ground, pulverized, or otherwise finely dispersed solid particles used in making a soft drink for sale. The tax imposed on powders does not apply to a powder that is used in preparing tea, coffee, hot chocolate, cocoa, or to any frozen or freeze dried concentrate to which only water is added to produce a pure or vegetable juice.

NOTE: Certain powders and bases are referred to as "concentrates." Section 12-21-1840 taxes certain powders or bases used in the manufacture of finished soft drinks for sale. These "concentrates" (other than syrups) are taxed on each gallon of finished soft drink that is customarily manufactured from the contents of the package. The tax imposed by this Section does not apply to a powder or base that is used in preparing tea, coffee, hot chocolate, cocoa, or to any frozen or freeze dried concentrate to which only water is added to produce a pure or vegetable juice.

7. Is there a requirement to apply for a soft drink tax exemption?

Yes. An exemption application (Form L 2090) must be submitted along with copies of the product label and the formula for the product.

8. When is the soft drink tax return due to be filed ?

Section 12-21-1710(c) states:

Distributors, wholesale, and retail dealers licensed under this section shall file the reports with the [department] as may be required not later than the twentieth day of each month showing transactions for the preceding month. Any person who fails to file the required reports must be penalized not less than twenty dollars nor more than one hundred dollars, to be assessed and collected in the same manner as other taxes are assessed and collected. The [department] may remit the penalty in whole or in part.

Form L-2028 is used to report and remit the soft drink tax.

9. What products are currently exempt from the soft drink tax?

The department maintains a list of all exempt bottled soft drinks. A copy of this list may be obtained by calling the License and Registration Section of the Office Services Divisions at (803) 898-5872.

10. How does a drink become listed as an exempt bottled soft drink product on the soft drink exempt products list?

Section 12-21-1880 exempts products containing 30% or more natural fruit juice or natural vegetable juice, provided no artificial flavoring, artificial coloring or artificial preservatives are added. It also exempts products containing 30% or more natural liquified milk. Section 12-21-1890 allows that the fruit juice, vegetable juice or liquid milk may be reconstituted from concentrates.

Section 12-21-1900 requires that any exemption claimed under section 12-21-1880 must be registered with the department by filing a prescribed form. (Form L-2090)

11. Are applications for soft drink tax exemptions considered public information?

No. Section 12-21-1920 states, "...it shall be unlawful for the members of the [department], or any deputy, agent, clerk or officer...to divulge or make known in any manner any formula....."provided to the department in order to obtain an exemption.

12. What does the phrase "fractional part thereof" mean?

Section 12-21-1850 states any person offering soft drinks for sale in a sealed container shall pay the license tax at the rate of one cent for each twelve ounces or fractional part thereof.

In calculating the tax rate for soft drinks a conversion factor is used. The conversion factor is defined by the number of cases of a particular case size that would equal one gross of one cent tax value or \$1.44. The first part of that equation is the unit size of the soft drink (number of ounces) divided by 12. At this part of the equation, the number of ounces of the container divided by 12 must be rounded to the next whole number.

Example: 16 ounce bottle divided by 12 = 1.333. Any fraction thereof is rounded to the next whole number which is 2.

A list of conversion factors can be found on the soft drink tax monthly return - Form L-2028.