

HOUSE BILL REPORT

HB 1851

As Reported By House Committee On:
Finance

Title: An act relating to deleting taxes allocable to the health services account.

Brief Description: Deleting the increased tax on beer allocable to the health services account.

Sponsors: Representatives Pennington, Morris, Crouse, Sherstad, Dyer, Radcliff, Honeyford, Mielke, Kremen, Carlson, Sheldon, Campbell, Reams, Mitchell, Horn, Koster, Padden, Elliot, Robertson, Van Luven, D. Schmidt, Schoesler, L. Thomas, Smith, Lisk, Chandler, Fuhrman, McMorris, Benton, Sehlin, Foreman, Hargrove, Brumsickle, Hymes, Buck, Skinner, Blanton, Thompson, B. Thomas and Hickel.

Brief History:

Committee Activity:

Finance: 2/23/95, 3/3/95 [DP].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 10 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Hymes; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Minority Report: Do not pass. Signed by 2 members: Representatives Dickerson, Assistant Ranking Minority Member; and Mason.

Staff: Rick Peterson (786-7150).

Background: The 1993 health care reform legislation increased taxes on cigarettes, tobacco products, spirits (hard liquor), beer, non-profit hospitals, and health insurance premiums and prepayments. The revenue from these tax increases is deposited in the health services account and used to fund health care reform. Besides the health care taxes, taxes are also imposed on cigarettes, tobacco products, spirits, and beer for general fund and other purposes.

The 1993 health care reform legislation increased some tax rates in steps. Some step increases have not yet taken effect. These tax increases are dedicated to the health services account. The beer tax is scheduled to increase by \$1.43 a barrel on July 1,

1995, and by \$2.39 a barrel on July 1, 1997. After July 1, 1996, the total beer tax will be \$9.56 a barrel with \$4.78 to the health services account.

Other taxes are also scheduled to increase. The cigarette tax is scheduled to increase by 17.5 cents a pack on July 1, 1995, and by 1 cent on July 1, 1996. After July 1, 1996, the total cigarette tax will be 82.5 cents with 41 cents to the health services account. The per liter tax on spirits will increase by 10 cents on July 1, 1995, and 11 cents on July 1, 1997. The retail sales tax on spirits for the health services account will increase from 1.7 percent to 2.6 percent on July 1, 1995, and increase to 3.4 percent on July 1, 1997. After July 1, 1997, the total tax on spirits will be a sales tax of 20.5 percent of sales price plus a liter tax of \$2.44 per liter. The portion for the health services account will be 3.4 percent and \$0.41 per liter.

The current per barrel tax on beer is:

- \$2.60 to liquor revolving fund plus;
- \$0.18 to the state general fund plus;
- \$2.00 to the violence reduction and drug enforcement account; plus
- \$0.96 to the health services account;
- \$5.74 per barrel total.

Revenue in the liquor revolving fund is first used for administration of the Liquor Control Board. Remaining funds are distributed as follows: the first 0.3 percent to certain border cities, and the remaining 99.7 percent to the state general fund (50 percent), counties (10 percent), and cities (40 percent).

Summary of Bill: The bill eliminates future tax rate increases on beer for the health services account. The scheduled increases in the other taxes are not changed.

Appropriation: None.

Fiscal Note: Requested on February 9, 1995.

Effective Date: The bill contains an emergency clause and takes effect on July 1 1995.

Testimony For: Beer consumers are hard working "Joes" and "Janes." It isn't time to make hard working people pay this tax. Due to major tax increases in just a few years, many breweries have folded. Taxes have consequences. This tax is not just 10.6 cents a six pack because of the nature of the business & occupation taxes in this state, this increased tax is passed onto the supplier, onto the distributor, then the retailer and finally the consumer. The Legislature should remember that the hops industry is Washington's seventh most valuable crop.

Testimony Against: This bill should also include hard liquor. There should be an even playing field on all taxes on alcoholic beverages. Sixty-four percent of a \$10 bottle of liquor goes to taxes. This has severely impacted the distilled spirits industry.

Testified: (Pro) Representative John Pennington, prime sponsor; Bud Seifert, Crown Distributing Company; Dick Ducharme, Washington Beer and Wine Wholesaler Association; Celia Fritz, Anheuser-Busch, T.K. Bentler, Red Hook Brewery and Washington Association of Neighborhood Stores; Chris Cheney, Hop Growers of Washington; and Steve Wehrly, Miller Beer. (Con) Tamara Warnke, Distilled Spirits; and Vito Chiechi, Washington State Licensed Beverage Association.