

HOUSE BILL REPORT

HB 2776

As Passed House:

February 8, 1996

Title: An act relating to deleting a future increase in beer taxes allocable to the health services account.

Brief Description: Deleting a future increase in beer taxes allocable to the health services account.

Sponsors: Representatives B. Thomas, Morris, Sheldon and Romero.

Brief History:

Committee Activity:

Finance: 1/29/96, 2/1/96 [DP].

Floor Activity:

Passed House: 2/8/96, 83-14.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 11 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Boldt, Vice Chairman; Morris, Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Loven.

Minority Report: Do not pass. Signed by 1 member: Representative Dickerson, Assistant Ranking Minority Member.

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 \$2.39 a barrel, on July 1,

1997. After July 1, 1997, the total beer tax will be \$9.56 a barrel with \$4.78 going to the Health Services Account.

Other taxes are also scheduled to increase. The cigarette tax is scheduled to increase 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 11 cents on July 1, 1997. The retail sales tax on spirits for the Health Services Account will increase from 2.6 percent 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 the liquor revolving fund plus;
- \$0.18 to the state general fund plus;
- \$2.00 to the violence reduction and drug enforcement account; plus
- \$2.39 to the Health Services Account;
- \$7.17 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 \$2.39 a barrel beer tax increase scheduled for July 1, 1997, is eliminated. This increase is dedicated to the Health Services Account. The scheduled increases in the other taxes are not changed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: We are not asking for the tax to be reduced but for the future increase to be repealed. The industry has lost 47 beer and wine distributors since 1984. Beer sales are flat. Profit margins have dropped and jobs are being lost. The tax in Washington will increase to \$9.56 per barrel; the tax in Oregon is only \$2.60 a barrel.

Testimony Against: None.

Testified: Dick Ducharme, Washington Beer and Wine Wholesalers Association; and Bud Seifert, Crown Distribution.