

HB 1905

Bill Analysis

February 27, 1997

Brief Description: Repealing the carbonated beverage tax.

Bill Sponsors: Representatives Lisk, Huff, Quall, Mulliken, Hatfield, Dyer, Grant, Butler, Doumit, McMorris, Gardner, Benson, Morris, Cooke, Kastama, Kessler, Zellinsky, Linville, Wolfe, D. Sommers, Thompson, Robertson and Wensman.

Staff: Rick Peterson (786-7150)

Background: In 1989, the Legislature passed the Omnibus Alcohol and Controlled Substances Act. That act imposed additional taxes on sales of wine, beer, spirits, cigarettes, carbonated beverages, and syrups used to make carbonated beverages. The revenue from these taxes is used to support programs directed toward alcohol and drug abuse by youth and adults, including increases in penalties for drug-related crimes, expanded law enforcement authority, and expanded education programs, and expanded treatment. The tax revenue was placed in the Drug Enforcement and Education Account. Under the 1989 legislation, these taxes were scheduled to expire July 1, 1995.

In 1994 the Legislature enacted the 1994 Youth Violence Prevention Act. This act made extensive changes in laws relating to youth violence prevention, drug education, and drug enforcement programs. The Violence Reduction and Drug Enforcement Account was created and replaced the Drug Enforcement and Education Account. To raise revenue for these purposes, the bill continued some liquor taxes, increased cigarette taxes, and changed carbonated beverage taxes. The tax portions of the measure were placed on the November 1994 general election ballot as Referendum 43. Referendum 43 passed with 947, 847 in favor and 712, 575 against.

Referendum 43 eliminated the expiration date for all of the taxes imposed in the 1989 Omnibus Alcohol and Controlled Substances Act, except the tax on carbonated beverages. In addition, the referendum increased the rates of the cigarette tax and the tax on beverage syrups. The following table summarizes the tax changes.

Tax	Rate Adopted in 1989	Rate Approved by Referendum	Estimated Revenue in 1997-99
Spirits Tax	7 cents per liter (5.25 cents per 750 ml bottle.)	Same	3,300,000
Beer Tax	\$2 a barrel (3.6 cents per 6 pack.)	Same	14,000,000
Wine with less than 14% alcohol	1 cent per liter (0.75 cents per 750 ml bottle)	Same	2,300,000
Wine with more than 14% alcohol	23.44 cents per liter (17.58 cents per 750 ml bottle)	Same	
Cigarette Tax	3 cents per pack.	10.5 cents per pack.	64,800,000
Carbonated Beverage Tax	1 cent per 12 oz can.	Allowed to expire 7-1-95	None
Carbonated Beverage Syrup Tax	75 cents a gallon.	\$1.00 per gallon	16,600,000
		Total	101,000,000

The taxes in the table above are in addition to other taxes imposed on spirits, beer, wine, and cigarettes for general fund and other purposes. The total tax rate for spirit sales to customers is 19.7 percent (20.5 percent after July 1, 1997) plus \$2.3308 per liter (\$2.4408 after July 1, 1997). The total tax rate for beer is \$7.172 per 31 gallon barrel (\$9.562 after July 1, 1997). The total tax rate for table wine is 22.92 cents per liter and the total tax rate for fortified wine is 45.36 cents per liter. The total cigarette tax rate is 82.5 cents per pack.

Summary of Bill: The carbonated beverage syrup tax is eliminated.

Fiscal Note: Available.

Effective Date: This bill contains an emergency clause and takes effect July 1, 1997.