

SENATE BILL REPORT

SB 6602

As Reported By Senate Committee On:
Ways & Means, February 9, 1998

Title: An act relating to carbonated beverage taxes.

Brief Description: Crediting carbonated beverage taxes against business and occupation taxes.

Sponsors: Senators Anderson, Loveland, Bauer, Long, Goings, B. Sheldon, Strannigan, Benton, Rossi, Swecker, West, Schow and Oke.

Brief History:

Committee Activity: Ways & Means: 2/4/98, 2/9/98 [DPS, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6602 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Deccio, Vice Chair; Strannigan, Vice Chair; Bauer, Hochstatter, Long, Loveland, McDonald, Roach, Rossi, Schow, B. Sheldon, Swecker, Winsley and Zarelli.

Minority Report: Do not pass.

Signed by Senator Fraser.

Staff: David Schumacher (786-7474)

Background: The business and occupation tax (B&O) is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities (except utility activities) conducted within the state.

Although there are several different rates, beginning July 1, 1998 the principal rates will be as follows:

Manufacturing/wholesaling	0.484%
Retailing	0.471%
Services	1.5%

The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Thus, the tax pyramids at each level of activity.

In 1994, the Legislature enacted the 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 to replace the existing account. The tax portions of the measure were passed as Referendum

43 on the general election ballot in November 1994. 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 tax on carbonated beverage syrup ("syrup tax") is currently \$1 per gallon.

Summary of Substitute Bill: A taxpayer may claim a credit for one half of the amount of "syrup" taxes paid against his or her B&O tax liability.

Substitute Bill Compared to Original Bill: The original bill allows a 100 percent credit for the amount of "syrup" taxes paid against his or her B&O tax liability.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 1998.

Testimony For: There is no connection between the tax on the industry and the use of the money. The bill was modified to assure that no violence reduction and drug enforcement account loss would occur.

Testimony Against: This money could be put to better use elsewhere.

Testified: PRO: Ryan Heuton, Senor Froggys; Kit Hawkins, WA Restaurant Association; CON: Margaret Casey, WA State Catholic Conference; George LeClair, Children's Alliance; Lonnie Johns-Brown, WCSAP; Lorrie Lippold, Children's Home Society.