

HOUSE BILL REPORT

SHB 1915

As Passed Legislature

Title: An act relating to modifying wine and cider provisions by removing a termination date.

Brief Description: Modifying wine and cider provisions.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Cairnes, Morris, H. Sommers, Skinner, Hankins, Kessler, Lisk, Clements, Benson, Delvin, B. Chandler, Veloria, G. Chandler, Conway, Ruderman, Santos, Grant, Barlean and Alexander).

Brief History:

Committee Activity:

Finance: 2/21/01, 3/6/01 [DPS].

Floor Activity:

Passed House: 3/12/01, 98-0.

Passed Senate: 4/9/01, 46-0.

Passed Legislature.

Brief Summary of Substitute Bill

- The wine tax that funds a portion of the Washington Wine Commission activities is allowed to continue.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

Staff: Mark Matteson (786-7145).

Background:

A volumetric (per liter) tax is imposed on wine and cider wine sold to wholesalers, the Liquor Control Board, or directly to consumers on the premises of a winery. In the case

of table wine, the tax is imposed at a rate of \$0.2292 per liter; for fortified wines, \$0.4536 per liter; and for cider wine, \$0.0814 per liter. Fortified wine is defined as wine with more than 14 percent alcohol by volume, and cider wines are wines with alcohol content between 0.5 percent and 7 percent by volume made from apples or pears. Taxpayers report the tax on a monthly basis to the Liquor Control Board.

Each of the taxes is a composite of several different rates that were imposed for different ultimate purposes. For example, in the case of table wine, a basic tax and surtax are imposed at rates of 20.25 cents per liter and 1.42 cents per liter, respectively; most of these revenues are deposited to the general fund, while a small part is distributed to Washington State University for wine and grape research. An additional rate is imposed at 1 cent per liter and is deposited in the Violence Reduction and Drug Enforcement Account. Yet another rate is imposed at 0.25 cents per liter and is distributed quarterly to the Washington Wine Commission for its purposes. The rates for fortified wine and cider wine are similarly composite in nature.

The Washington Wine Commission is statutorily authorized to use revenue provided by the wine tax for purposes that promote the enhanced production of wine grapes and wine and that promote the marketing of Washington wine.

Summary of Bill:

The bill removes the statutory provision that requires the cessation of the portion of the wine tax that is provided for the purposes of the wine commission. The tax, which is scheduled to otherwise cease on July 1, 2001, is allowed to continue.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: We are asking for the tax to continue. The Washington situation with regard to this tax is different than the milk case in Massachusetts, where the United States Supreme Court ruled against a tax that was imposed on in-state and out-of-state milk producers. Under that tax, proceeds were given to in-state producers to subsidize their product and so charge less. In Washington, the tax is on all wine consumed and the tax is forwarded to the commission, which promotes wine.

Wine grapes are one bright spot in Washington agriculture. There are many new growers, who have moved from other commodities to grape-growing. We need to continue the marketing effort. Small growers particularly benefit. The commission's

efforts are vital to promote our home-grown effort.

Testimony Against: The Wine Institute is working to break down trade barriers in its members' states. We are opposed to this bill because 60 to 70 percent of the wine sold in the state is not produced here. The subsidy was supposed to be in effect only six years, and we don't think it is fair that California wines pay for the promotion of the Washington industry.

Testified: (In support) Jean Leonard, Washington Wine Institute; Heather Hansen, Washington Association of Wine & Grape Growers; and Steve Burns, Washington Wine Institute.

(Opposed) Sharon Foster, Wine Institute.