

HOUSE BILL ANALYSIS

HB 1776

Brief Description: Regulating low alcohol spirits coolers.

Sponsors: Conway and Dunshee

Hearing: February 18, 1999

Brief Summary of Bill

- Defines a low alcohol spirits cooler.
- Treats a low alcohol spirits cooler as beer for purposes of taxation by the Liquor Control Board and adds a \$.45 cent tax per liter.
- Treats a low alcohol spirits cooler as beer for purposes of regulation and licensing allowing retail sale of the product outside of the state liquor store system.

BACKGROUND:

Spirituos liquor products (distilled alcohol products) are taxed with a per liter tax and a sales tax. The liter tax is \$2.44 per liter and is imposed on all spiritous liquor (beverages containing distilled alcohol), including wines exceeding 24 percent of alcohol by volume. In addition, a state sales tax of 20.5 percent is imposed on the sale of spirits to consumers. Revenue from the liter tax is distributed to the state general fund, the violence and drug enforcement account and the health services account. The state sales tax revenue is distributed to the state general fund, cities and counties, and the health services account.

The spiritous liquor liter tax and the sales tax are also imposed on bottled low-alcohol beverages that contain spirits and other non-alcoholic beverages or flavorings. These beverages contain a level of alcohol by volume that ranges on average from 5.9 percent to 17 percent. The sales tax rates on these beverages are at the same rate as for other spiritous liquor, 20.5% and \$2.44 per liter. These beverages are sold only in state liquor stores.

Malt or wine-based beverages that mix beer or wine with non-alcoholic beverages or flavorings are sold, distributed and taxed as either wine or beer beverages. Consumers may

purchase them at retail outlets licensed to sell beer or wine for off-premises consumption like grocery stores and convenience stores or licensed restaurants and taverns.

The general retail sales tax imposed on low-alcohol bottled mixed beverages range from 7.0 percent to 8.2 percent. This range represents the state base retail sales tax rate increased by any local sales taxes.

A barrel tax is imposed on the sale of beer to the licensed retailer. The amount is currently \$8.08 per barrel (31 gallons) or \$.069 cents per liter. The revenue is distributed to the state general fund, cities and counties, the violence reduction and drug enforcement account, and the health services account.

SUMMARY OF BILL:

A definition of a low alcohol spirits cooler is added to the liquor laws. It is a beverage containing no more than 7 percent of alcohol by volume and consisting of spirits mixed with other non-alcoholic beverages or flavorings, sugar or fruit juices.

For purposes of taxation by the Liquor Control Board (LCB), they must treat this product as beer. In addition to the beer tax (\$.069 cents per liter), a new liter tax is established for low alcohol spirits coolers. The tax rate is \$.45 cents per liter.

For purposes of liquor regulation and licensing, a low alcohol spirits cooler is treated as beer by the LCB and may be sold and distributed as beer. Low alcohol spirits coolers may be sold in licensed retail outlets including grocery stores, convenience stores, taverns and restaurants.

RULES AUTHORITY: The bill does not contain provisions addressing the rule making powers of an agency.

FISCAL NOTE: Requested February 17, 1999.

EFFECTIVE DATE: Contains an emergency clause and takes effect July 1, 1999.