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**Finance Committee**

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**HB 1243**

**Brief Description:** Providing small winery tax relief.

**Sponsors:** Representatives Wylie, Jenkin, Eslick and Santos.

**Brief Summary of Bill**

- Exempts the first 20,000 gallons of wine sold by a winery from wine liter taxes, except for amounts designated for the Washington Wine Commission.

**Hearing Date:** 1/31/19

**Staff:** Rachelle Harris (786-7137).

**Background:**

Wine Taxation.

The Liquor Control Board (LCB) administers wine liter taxes on wine sold in Washington. The wine liter tax rates are \$0.2292 per liter for table wines, \$0.4536 per liter for fortified wines, and \$0.0814 per liter for cider. Revenue generated from the wine liter tax is distributed to the Liquor Revolving Account, the General Fund, and to cities and counties. A portion of the liter tax revenue is also disbursed quarterly to the Washington Wine Commission and to Washington State University for wine and grape research. Wineries, wine distributors, importers, and holders of certificates of approval must submit a liter tax along with a wine tax report to the LCB on a monthly basis.

Tax Preferences.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences. Legislation that establishes or expands a tax preference must include a Tax Preference Performance statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use

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to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

**Summary of Bill:**

The first 20,000 gallons of wine sold by a winery in a calendar year are exempt from wine liter taxes, except for amounts designated for Washington Wine Commission. The tax collected and distributed to the Washington Wine Commission is not exempt. The new tax rate for the first 20,000 gallons of wine sold is \$0.0025 per liter for table and fortified wines, and \$0.0005 per liter for cider. Taxes on gallons sold above 20,000 in a calendar year remain the same.

The bill is exempted from TPPS requirements, the 10 year expiration of tax preferences, and JLARC review.

**Appropriation:** None.

**Fiscal Note:** Requested on January 18, 2019.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.