

SENATE BILL REPORT

SB 5406

As Reported by Senate Committee On:
Labor & Commerce, February 12, 2019

Title: An act relating to providing small winery tax relief.

Brief Description: Providing small winery tax relief.

Sponsors: Senators Warnick and Wagoner.

Brief History:

Committee Activity: Labor & Commerce: 2/07/19, 2/12/19 [DPS-WM, w/oRec].

Brief Summary of First Substitute Bill

- Exempts a winery's first 20,000 gallons of wine sold in a calendar year from paying the wine tax.
- Amounts designated for disbursement to the Washington Wine Commission and Washington State University are not exempt.
- Exempts the bill from the legislative tax preference review process.

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: That Substitute Senate Bill No. 5406 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Keiser, Chair; Conway, Vice Chair; King, Ranking Member; Braun, Walsh and Wellman.

Minority Report: That it be referred without recommendation.

Signed by Senator Saldaña.

Staff: Richard Rodger (786-7461)

Background: The Liquor and Cannabis Board administers the collection of the wine tax. The tax rate for wine varies based on the type of wine sold. Tax rates include \$0.2292 per liter for table wines, \$0.4536 per liter for fortified wines, and \$.0814 per liter for cider.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Washington Wine Commission (Commission) was created in 1987 to represent both the producers of wine and the growers of vinifera wine grapes. The Commission is funded through a tax on the sale of wine and through a commodity assessment on wine producers and growers. A portion of the liter tax on wine is also disbursed to the Washington State University for wine and grape research.

State law provides creates or expands a tax preference must include a tax preference performance statement that identifies the public policy objective and measures that can used to evaluate the effectiveness of the preference by the Joint Legislative Audit and Review Committee. Tax preferences automatically expire after ten years unless an alternative expiration date is provided.

Summary of Bill (First Substitute): A winery, producing not more than 50,000 gallons of wine, is exempt from the wine tax on first 20,000 gallons of wine sold in a calendar year. The amount of the tax that is designated for disbursement to the Washington Wine Commission and Washington State University is not exempt.

The bill is exempted from tax preference requirements, the ten-year expiration of tax preferences, and legislative review.

EFFECT OF CHANGES MADE BY LABOR & COMMERCE COMMITTEE (First Substitute):

- Limits the tax exemption to wineries that produce not more than 50,000 gallons of wine per year.
- Exempts the portion of the tax that is designated for disbursement to Washington State University.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill is necessary to help support Washington's small wineries. The industry has been waiting for this tax relief for a long time. Over 350 wineries have gone out of business since the recession and 300-350 wineries didn't make any wine this year. Those wineries had to choose between paying the wine tax or buy grapes. The taxes have been lowered for craft distilleries, microbreweries, and cider producers. This is a small reduction in the collection of taxes versus the amounts that have been given to the other industries. We support this version of the legislation because it is consistent with the Supreme Court's 1984 Bacchus decision and doesn't discriminate based on in-state or out-of-state wineries or on the size of the winery. This bill is needed for all the wineries in Washington.

OTHER: The bill should also exempt the disbursements from the wine tax that are distributed to Washington State University for wine and grape research.

Persons Testifying: PRO: Senator Judy Warnick, Prime Sponsor; Paul Beveridge, Family Wineries of Washington State; John Bell, Family Wineries of Washington State; Rowland Thompson, The Wine Institute; Josh McDonald, Washington Wine Institute.

OTHER: Chris Mulick, Washington State University.

Persons Signed In To Testify But Not Testifying: No one.