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**HOUSE BILL 1182**

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**State of Washington 68th Legislature 2023 Regular Session**

**By** Representative Wylie

AN ACT Relating to providing a tax exemption for the first 20,000 gallons of wine sold by a winery in Washington; adding a new section to chapter 66.24 RCW; and creating a new section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  A new section is added to chapter 66.24 RCW to read as follows:

(1) Except as otherwise provided in this chapter, a winery's sale of the first 20,000 gallons of wine in a calendar year is not subject to tax pursuant to this chapter, except any amount of such tax that may be designated for disbursement to the Washington wine commission for use in carrying out the purposes of chapter 15.88 RCW or to the Washington State University under RCW 66.08.180(4).

(2) For the purposes of this section:

(a) "Wine" has the same meaning as in RCW 66.04.010.

(b) "Wine distributor" has the same meaning as in RCW 66.04.010.

(c) "Winery" has the same meaning as "winery" and "domestic winery" in RCW 66.04.010.

(d) "Winery sales" means taxable sales in Washington, including sales to wine distributors. "Winery sales" does not include exports from the state.

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the tax preference contained in section 1, chapter . . ., Laws of 2023 (section 1 of this act). This performance statement is only intended to be used for subsequent evaluation of the tax preference. It is not intended to create a private right of action by any party or to be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes this tax preference as one intended to provide tax relief to certain businesses or individuals.

(3) It is the legislature's specific public policy objective to promote the development of small wineries. These small businesses face challenges entering the industry and it is the legislature's public policy objective to assist these wineries to grow and stabilize. Small wineries have faced significant challenges in recent years including the great recession, COVID-19 restrictions, impact of wildfire smoke, and weather challenges. Every year dozens of small wineries close their doors forever. The loss of these businesses means Washington loses not just the wine excise tax income from these wineries, but also the sales and use tax income, the business and occupation tax income, and the jobs, tourism opportunities, and community contributions these wineries would otherwise make.

(4) The joint legislative audit and review committee must conduct an initial evaluation of the tax preference in this section by January 1, 2028. A final evaluation of the tax preference in this section must be conducted by January 1, 2033.

(5) If the review finds that the: (a) Number of wineries producing less than 20,000 gallons per year going out of business is decreased; (b) number of wineries that were producing less than 20,000 gallons per year in 2023 that are subsequently producing more than 20,000 gallons per year is increased; and/or (c) amount of sales and use tax collected by wineries has increased, then the legislature intends to extend the expiration date of this tax preference.

(6) In order to obtain the data necessary to perform the review in subsection (5) of this section, the joint legislative audit and review committee may refer to any data collected by the state, including the Washington wine commission.

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