Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Regulated Substances & Gaming Committee

HB 1182

Brief Description: Providing a tax exemption for the first 20,000 gallons of wine sold by a winery in Washington.

Sponsors: Representative Wylie.

Brief Summary of Bill

- Exempts a winery's sale of the first 20,000 gallons of wine in a calendar year from Washington's wine tax.
- Excludes from the exemption the amounts of the tax that fund Washington State University wine research and the Washington Wine Commission.
- Includes a tax preference performance statement.

Hearing Date: 1/10/23

Staff: Peter Clodfelter (786-7127).

Background:

Wine is taxed when sold by wineries to distributors, when sold directly to consumers on the winery premises, or when sold and shipped by a winery to consumers or retailers. Consumers pay retail sales tax on wine in the original container and on wine consumed on-premises of the seller.

For table wines the total wine tax rate per liter is $0.2292. For fortified wines (more than 14 percent alcohol by volume) the total wine tax rate per liter is $0.4536. For cider the total wine

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tax rate per liter is $0.0814. Cider is defined as table wine with alcohol content between 0.5 percent and 8.5 percent by volume made from apples or pears.

Total wine taxes include a per liter tax of $0.0025 for wine and $0.0005 for cider that is distributed to the Washington Wine Commission. Also, from total wine taxes, $0.0025 per liter is disbursed to Washington State University solely for wine and grape research. Otherwise, wine tax collections are deposited in the Liquor Revolving Fund and the State General Fund.

Wine tax collections totaled $26.6 million in fiscal year 2022 and $27.3 million in fiscal year 2021.

Summary of Bill:

An exemption from the wine tax is provided to wineries on the sale of their first 20,000 gallons of wine in a calendar year. However, the tax exemption does not apply to any amounts that may be designated for disbursement to the Washington Wine Commission or to Washington State University.

A tax preference performance statement is provided, categorizing the tax preference as one intended to provide tax relief to certain businesses or individuals, and provides that the specific public policy objective is to promote the development of small wineries for reasons described in the tax preference performance statement. The Joint Legislative Audit and Review Committee must conduct an initial evaluation of the tax preference by January 1, 2028, and a final evaluation by January 1, 2033.

If the review finds that the: (a) number of wineries producing less than 20,000 gallons per year that are going out of business has 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 has increased; and/or (c) amount of sales and use tax collected by wineries has increased, then it is provided that the Legislature intends to extend the expiration date of the tax preference.

Appropriation: None.

Fiscal Note: Requested on January 6, 2023.

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