

SENATE BILL REPORT

ESHB 2137

AS REPORTED BY COMMITTEE ON WAYS & MEANS, APRIL 1, 1991

Brief Description: Changing excise tax on carbonated beverages and syrups.

SPONSORS: House Committee on Revenue (originally sponsored by Representatives Wang, Holland, Ebersole, Ballard, Appelwick, Fraser, McLean, May, Winsley, Phillips, Peery, Bowman and Miller).

HOUSE COMMITTEE ON REVENUE

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Bluechel, Hayner, Johnson, Metcalf, Newhouse, Owen, Saling, West, Williams, and Wojahn.

Staff: Terry Wilson (786-7715)

Hearing Dates: March 27, 1991; April 1, 1991

BACKGROUND:

The 1989 Legislature enacted the Omnibus Drug bill to increase penalties for drug-related offenses, to provide for greater surveillance and enforcement, and to combat drug abuse. To fund the programs, the Legislature raised tax rates on liquor, beer, wine, and tobacco products and imposed a new tax on carbonated beverages. The tax on carbonated beverages is the main revenue source and is estimated to generate approximately \$45 million for the 1991-1993 biennium.

The carbonated beverages tax applies to the first possession of a soft drink or concentrate within the state. The intent is that the tax be paid by bottlers and wholesalers. The rates are one cent per 12-ounce container, or 75 cents per gallon of concentrate used to generate soft drinks. The tax expires July 1, 1995.

SUMMARY:

The carbonated beverages tax is changed from a first possession tax to a tax on the wholesale sale of carbonated beverages or syrup in the state. A compensating tax is applied to retail sales of carbonated beverages or syrups that have not been previously taxed at the wholesale level. This compensating tax would apply to beverages purchased by the retailer from out of state wholesalers.

The tax does not apply to successive sales of previously taxed beverages or syrups.

The tax is to be paid by the buyer to the wholesaler, and is to be stated separately from the selling price in any invoice or other instrument of sale.

Each retailer at a retail store with more than 4,000 square feet may:

1. Include in all print advertising of carbonated beverages a notice stating: "Price includes (amount) of Washington Drug Fund Tax."
2. Post on shelves stocked with carbonated beverages notices that include the statement "Price includes (amount) of Washington Drug Fund Tax."

Appropriation: none

Revenue: none

Fiscal Note: available

Effective Date: The bill contains an emergency clause and takes effect June 1, 1991.

SUMMARY OF PROPOSED SENATE AMENDMENT:

The wholesale sale to a bottler is exempt. The retail tax shall be paid by the retailer. The buyer has no duty to pay or report to the department on the taxes.

TESTIMONY FOR:

The intent of the tax was to pass the tax on to consumers. Bottlers cannot pass on the tax because of the competitive nature of the business. The industry operates on very narrow margins. This bill allows the tax to be passed on. We need to move away from the concept of first possession taxes.

TESTIMONY AGAINST: None

TESTIFIED: PRO: Representative Art Wang; David Michener, WA Soft Drink Assn.; Lynn DuBay, Alpac Corp.; Brian Charneski, L&E Bottling; R. Todd Fine, Pacific Coca-Cola