

Finance Committee

HB 2221

Brief Description: Providing small winery tax relief.

Sponsors: Representatives Wylie, Jenkin, Tarleton, Chapman and Ryu.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none"> • Exempts the first 20,000 gallons of wine sold by certain wineries from wine liter taxes, except for amounts designated for the Washington Wine Commission and Washington State University.
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Hearing Date: 1/16/20

Staff: Tracey O'Brien (786-7152).

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

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well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use 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:

For certain wineries, the first 20,000 gallons of wine sold in a calendar year are exempt from wine liter taxes, except for amounts designated for Washington Wine Commission and for Washington State University. Eligible wineries are those that produce 50,000 gallons of wine per year or less. The new tax rate for the first 20,000 gallons of wine sold is \$0.005 per liter for table and fortified wines, and \$0.0075 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: Available.

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