Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Finance Committee

HB 1384

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

Sponsors: Representatives Wylie, Waters and Timmons.

Brief Summary of Bill

- Reduces the tax rate on table wine and cider sold by a winery that sells less than 20,000 gallons per year.

Hearing Date: 2/20/25

Staff: Rachelle Harris (786-7137).

Background:

Wine Taxes.
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 the 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 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.

Wine taxes include a base rate that is directed to the Liquor Revolving Fund and multiple additional wine taxes primarily directed to the state's general fund. However, total wine taxes

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include a per-liter tax of $0.0025 for wine and $0.0005 for cider that is disbursed to the Washington Wine Commission. Also, from total wine taxes, $0.0025 per liter is disbursed to Washington State University for wine and grape research through the Liquor Revolving Fund.

Tax Preference Performance Statement.
Tax preferences confer reduced tax liability upon a designated class of taxpayers. These include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. There are over 700 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 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:

A winery that sells less than a combined total of 20,000 gallons of table wine and cider in a calendar year is subject to a reduced tax rate of $0.0528 per liter of table wine and cider. A winery that qualifies for this tax rate is not subject to most other excise taxes on wine and cider. However, the additional tax of $0.0025 for wine and $0.0005 for cider that is disbursed to the Washington Wine Commission continues to apply.

The revenues from the reduced tax rate on table wine and cider must be deposited in the Liquor Revolving Fund, and Washington State University continues to receive its allocation of wine taxes for wine and grape research.

A TPPS is included, stating that the Legislature's public policy objective is to promote the development of small wineries and the jobs they provide and to extend this tax preference if a JLARC review finds the preference accomplishes its specified goals of increasing the number of Washington wineries, the number of wine industry jobs, or the amount of wine excise taxes collected. An expiration date is not specified, so the preference will automatically expire after 10 years.

Appropriation: None.

Fiscal Note: Available.

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