
Finance Committee

ESSB 5368

Brief Description: Studying taxes and fees related to alcohol.

Sponsors: Senate Committee on Labor & Commerce (originally sponsored by Senator Chapman).

Brief Summary of Engrossed Substitute Bill

- Directs the Washington State Institute for Public Policy to conduct a study and produce a report on the state's system of alcohol taxation and fees.

Hearing Date: 3/21/25

Staff: Rachelle Harris (786-7137).

Background:

State Alcohol Laws and Regulation.

State law regulates the manufacture, distribution, and retail sale of alcoholic beverages, including spirits, wine, and beer. The Liquor and Cannabis Board (LCB) issues various types of liquor licenses, including retail licenses for taverns and hotels. The Department of Revenue (DOR) collects taxes on the sale of alcoholic beverages in the state. The tax rates on the sale of alcoholic beverages varies based on the type of alcohol, sales price, sales volume, and alcohol content of the product. For example, the sale of spirits is taxed at a different rate than the sale of wine, and the sales and liter taxes for spirits are based on sale price and volume, respectively. The rates for sales and liter taxes on spirits also vary depending on whether the purchaser is a member of the general public or an on-premises retailer such as a bar.

Washington State Institute for Public Policy.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

The Washington State Institute for Public Policy (WSIPP) is a nonpartisan public research group, established by the Legislature in 1983. The WSIPP carries out research at the direction of the Legislature or its Board of Directors, conducting multi-disciplinary research and cost benefit analysis in areas such as general government, education, criminal justice, and health. Fiscal and administrative services for the WSIPP are provided by the Evergreen State College.

Summary of Bill:

The WSIPP is directed to conduct a study on the state's system of alcohol taxation and fees and produce a report. The report is related to instances where taxes or fees are based on sales price, sales volume, or alcohol content of the product. The final report must include:

- the specific types of state taxes and fees applicable to spirits, beer, and wine, by product category, inclusive of general taxes such as sales and business and occupation taxes;
- current and historical tax and fee rates by tax or fee type;
- annual state sales of spirits, wine, and beer in total and per capita over the past five years;
- annual spirits, wine, and beer tax and fee revenues generated over the past five years in total and by tax or fee type;
- annual spirits, wine, and beer tax and fee revenues per capita generated over the past five years in total and by tax or fee type; and
- to the extent practicable, all of the following:
 - an analysis of total and per capita spirits sales and related tax and fee revenues in other states, differentiated by whether the sale of off-premises spirits is controlled by the state or allowed by licensed private entities;
 - an analysis of total and per capita spirits sales and related tax and fee revenues in other states and countries differentiated by whether spirits taxation is based on volume, price, or alcohol content;
 - an analysis of total and per capita spirits, beer, and wine sales and tax and fee revenues in this state and other states by each applicable unit of measurement of alcohol content and volume, differentiated by product category;
 - specified annual data ranging from 2008 to 2020;
 - estimated costs to transition to a tax system in the state where tax rates are determined solely by the alcohol content of products, the estimated annual costs to administer this system, and the estimated tax revenue of this system;
 - estimated tax rates for spirits, beer, and wine that would have to be applied to maintain a revenue neutral tax system in the state, if tax rates were based solely on the alcohol content of products; and
 - an analysis of the economic impact of the state's breweries, wineries, and distilleries, and potential changes to the economic impact if tax rates were based solely on the alcohol content of products.

The final report is due to the legislature by June 30, 2026. The LCB and DOR must provide relevant data to the WSIPP for the study.

Appropriation: None.

Fiscal Note: Available.

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