

SENATE BILL REPORT

SB 5368

As of February 8, 2025

Title: An act relating to studying taxes and fees related to alcohol.

Brief Description: Studying taxes and fees related to alcohol.

Sponsors: Senator Chapman.

Brief History:

Committee Activity: Labor & Commerce: 2/10/25.

Brief Summary of Bill

- Requires the Department of Revenue to conduct a study regarding alcohol taxation and fees.
- Requires the Liquor and Cannabis Board to provide data for the study.

SENATE COMMITTEE ON LABOR & COMMERCE

Staff: Marlon Llanes (786-7423)

Background: State law regulates the manufacture, distribution, and retail sale of liquor 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 liquor in the state.

The tax rates on the sale of liquor may vary depending on the type of liquor, 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 sales 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.

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.

Summary of Bill: DOR must conduct a study regarding alcohol taxation and fees in Washington and other states where the tax or fee is based on the sales price, sales volume, or alcohol content of the product. DOR must produce and submit a final report to the relevant committees of the Legislature by December 31, 2025, that includes the following information:

- the specific types of state taxes and fees applicable to spirits, beer, and wine, by product category, and including general taxes such as sales and business and occupation taxes;
- current and historical tax and fee rates by tax or fee type;
- annual sales in Washington State of spirits, wine, and beer in total and per capita over the past 25 years;
- annual spirits, wine, and beer tax and fee revenues generated in the state over the past 25 years in total and by tax or fee type;
- annual spirits, wine, and beer tax and fee revenues per capita generated in the state over the past 25 years in total and by tax or fee type;
- to the extent practicable, 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;
- to the extent practicable, an analysis of total and per capita spirits sales and related tax and fee revenues in other states and counties differentiated by whether spirits taxation is based on volume, price, or alcohol content; and
- to the extent practicable, 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.

LCB must cooperate with DOR to provide data relevant to this study.

An expiration date of January 1, 2026, is provided.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.