

SENATE BILL REPORT

SB 5560

AS PASSED SENATE, MARCH 20, 1991

Brief Description: Transferring power and duty to enforce cigarette and tobacco laws to the liquor control board.

SPONSORS: Senators McDonald, Owen, Craswell and Niemi.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bluechel, Cantu, Hayner, Johnson, Matson, Metcalf, Owen, Saling, L. Smith, and West.

Staff: Terry Wilson (786-7715)

Hearing Dates: February 26, 1991; February 27, 1991

BACKGROUND:

The state of Washington imposes a tax on the sale, use, consumption, handling, possession, or distribution of cigarettes equal to \$.34 per pack. In addition, state and local sales and use taxes apply to the sale of cigarettes equal to approximately \$.16 per pack depending on price. Because price differentials exist between Washington and its neighboring states, an incentive for tax evasion exists.

According to estimates from the Department of Revenue, the state is losing \$17.9 million per year from illegal sales of untaxed cigarettes. These loses occur from casual smuggling from other lower-tax states and the purchase of cigarettes from tax-free outlets such as military post exchanges and Indian smoke shops. Studies indicate that the integrity of state cigarette tax revenues depends on state enforcement actions.

According to a 1990 report of the Legislative Budget Committee, enforcement of the cigarette tax has not been a high priority of the Department of Revenue.

The Liquor Control Board enforces the laws relating to the manufacture, importation, transportation, possession, distribution, and sale of liquor, including applicable taxes and licenses. In carrying out its duties, the board employs liquor enforcement officers who have the authority to enforce the penal laws of the state that are under the board's jurisdiction.

SUMMARY:

The duty to enforce the cigarette and tobacco laws is transferred to the Liquor Control Board. Appropriations, personal property, and personnel used by the Department of Revenue in enforcing the cigarette and tobacco laws are transferred to the Liquor Control Board. In addition:

- (1) The Liquor Control Board is authorized to compensate informants;
- (2) Retailers are prohibited from possessing unstamped cigarettes; and
- (3) The wholesaler's surety bond is increased to \$5,000.

Appropriation: none

Revenue: none

Fiscal Note: available

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

TESTIMONY FOR:

An appropriation to the Liquor Control Board is necessary to enable the board to collect the tax.

TESTIMONY AGAINST: None

TESTIFIED: Carter Mitchell, Liquor Control Board