

**SENATE BILL REPORT**

**SB 5806**

**AS OF MARCH 4, 1993**

**Brief Description:** Enforcing cigarette and tobacco statutes.

**SPONSORS:** Senators Bauer, McDonald, Snyder, Vognild, Deccio, Haugen, Moyer, Franklin, Prentice, Moore, Quigley, M. Rasmussen and Oke

**SENATE COMMITTEE ON WAYS & MEANS**

**Staff:** Terry Wilson (786-7715)

**Hearing Dates:** March 3, 1993

**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 and business and occupation taxes apply to the sale of cigarettes equal to approximately \$.18 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 \$19.5 million per year from illegal sales of untaxed cigarettes. These losses 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) Retailers are prohibited from possessing unstamped cigarettes; and
- (2) 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, 1993.

**TESTIMONY FOR:**

Revenue losses from illegal Indian sales is much greater than the Department of Revenue admits. The department is not enforcing the statutes. It imposed the new penalties enacted two years ago in only 11 cases. The Liquor Control Board had officers in the field that visit retailers regularly. The average member of the tribe does not share in the profits from tribal cigarette sales.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Chuck Hord, WA State Assn of Tobacco and Candy Distributors (pro); Jan Gee, WA Retail Assn (pro)