

HOUSE BILL REPORT

HB 1905

As Reported By House Committee On:
Finance

Title: An act relating to repealing the carbonated beverage tax.

Brief Description: Repealing the carbonated beverage tax.

Sponsors: Representatives Lisk, Huff, Quall, Mulliken, Hatfield, Dyer, Grant, Butler, Doumit, McMorris, Gardner, Benson, Morris, Cooke, Kastama, Kessler, Zellinsky, Linville, Wolfe, D. Sommers, Thompson, Robertson, Wensman, Delvin, Carrell, Pennington, Koster, B. Thomas and Sheahan.

Brief History:

Committee Activity:

Finance: 2/27/97, 3/7/97 [DPS].

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Mulliken, Vice Chairman; Boldt; Morris; Pennington; Schoesler and Van Luven.

Minority Report: Do not pass. Signed by 6 members: Representatives Dunshee, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Butler; Conway; Kastama and Mason.

Staff: Rick Peterson (786-7150).

Background: In 1989, the Legislature passed the Omnibus Alcohol and Controlled Substances Act. That act imposed additional taxes on sales of wine, beer, spirits, cigarettes, carbonated beverages, and syrups used to make carbonated beverages. The revenue from these taxes is used to support programs directed toward alcohol and drug abuse by youth and adults, including increases in penalties for drug-related crimes, expanded law enforcement authority, and expanded education programs, and expanded treatment. The tax revenue was placed in the Drug Enforcement and Education Account. Under the 1989 legislation, these taxes were scheduled to expire July 1, 1995.

In 1994 the Legislature enacted the 1994 Youth Violence Prevention Act. This act made extensive changes in laws relating to youth violence prevention, drug education, and drug enforcement programs. The Violence Reduction and Drug Enforcement Account was created and replaced the Drug Enforcement and Education Account. To raise revenue for these purposes, the bill continued some liquor taxes, increased cigarette taxes, and changed carbonated beverage taxes. The tax portions of the measure were placed on the November 1994 general election ballot as Referendum 43. Referendum 43 passed with 947,847 in favor and 712,575 against.

Referendum 43 eliminated the expiration date for all of the taxes imposed in the 1989 Omnibus Alcohol and Controlled Substances Act, except the tax on carbonated beverages. In addition, the referendum increased the rates of the cigarette tax and the tax on beverage syrups. The following taxes were approved in Referendum 43: spirits tax, 7 cents per liter (5.25 cents per 750 ml bottle); beer tax, \$2 a barrel (3.6 cents per 6 pack); wine with less than 14 percent alcohol, 1 cent per liter (0.75 cents per 750 ml bottle); wine with more than 14 percent alcohol, 23.44 cents per liter (17.58 cents per 750 ml bottle); cigarettes, 10.5 cents per pack (increased from 3 cents per pack); and carbonated beverage syrup tax, \$1 per gallon (increased from 75 cents per gallon).

The taxes listed above are in addition to other taxes imposed on spirits, beer, wine, and cigarettes for general fund and other purposes. The total tax rate for spirit sales to customers is 19.7 percent (20.5 percent after July 1, 1997) plus \$2.3308 per liter (\$2.4408 after July 1, 1997). The total tax rate for beer is \$7.172 per 31-gallon barrel (\$9.562 after July 1, 1997). The total tax rate for table wine is 22.92 cents per liter and the total tax rate for fortified wine is 45.36 cents per liter. The total cigarette tax rate is 82.5 cents per pack.

Summary of Substitute Bill: The carbonated beverage syrup tax is eliminated if a \$15.5 million general fund appropriation is contained in the Omnibus Appropriation Act for programs eligible for funding in the violence reduction and drug enforcement account.

Fiscal Note: Available.

Substitute Bill Compared to Original Bill: The substitute bill adds the general fund appropriation requirement.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 1997. However, the bill is null and void unless funded in the budget.

Testimony For: This bill is about equity. Why should restaurants be singled out to pay for broad social programs related to youth violence and drugs? There is no linkage between soft drinks and these problems. The restaurant industry had no opportunity for input on the imposition of this tax. This is a very competitive business and it is not possible to pass the cost of the tax onto customers. We are not opposed to the programs funded by this money. Programs paid for by the soft drink tax should be paid for by the general fund.

Testimony Against: The elimination of this tax will reduce funding for essential programs. These dollars provide support for many worthwhile and effective programs such as drug and alcohol treatment programs for pregnant women, youth and adults; drug and violence counseling programs for youth in middle schools and high schools; community networks; and school security support. These programs are successful. Thirty days of treatment for pregnant women results in improved health of their newborn children. Waiting lists of three to four months exist for these services. The need exceeds available services. Yakima County has a serious drug problem. The community is damaged by alcohol and drugs. These programs reduce risk factors for youth. Drug and alcohol abuse is a problem in both urban and rural areas. School security funding from these monies provides another pair of eyes to observe when intervention is necessary to prevent drug abuse and violence. School security support has reduced school suspensions for assaults. The voters approved these taxes when they voted for Referendum 43.

Testified: (Pro): Dave Hooke, Senior Froggy Restaurants; Kit Hawkins, Washington Restaurant Association. (Con): Shoni Davis, Exec. Director, Perinatal Treatment Services; John O. Ohta and Aimee Strebe, Ryther Child Center; Pat Aaby, Lakewood School District Community Mobilization; Janet Madlin, Stevens County Youth and Family Network; Susan Tornay, North Thurston School District; Margaret Casey, Washington State Catholic Conference; Jane Gutting, Office of Superintendent of Public Instruction; Grant Hosford, Tacoma Public Schools; Art Seavey, citizen; Ester Huey, Yakima County Substance Abuse Coalition; Marilyn Bordner, Washington State Coalition for Women's Substance Abuse Issues; Beth Dannharst, Triumph to Serve; David Westberg, State Council of Stationary Engineers; Ed Gaffney, Spokane School District; Evelyn Francy, Grays Harbor Sexual Assault Coalition; Doris Stevens, Sexual Assault Center, Harborview Medical Center; Coral Smith, Human Response Network; Lori Delaney, Washington Coalition of Sexual Assault Programs; Linda Grant, Association of Alcohol/Addiction Programs; and Laurie Lippold, Children's Home Society.