

HB 2930

Bill Analysis

February 5, 1998

Brief Description: Crediting carbonated beverage taxes against business and occupation taxes.

Bill Sponsors: Representatives Lisk, Kessler, Van Luven, Morris, Robertson, Doumit, Grant, Carrell, Mulliken, Hatfield, Huff, Quall, Linville, Kastama, Butler, Dunshee, Gardner, Pennington, B. Thomas and O'Brien.

Staff: Rick Peterson, 786-7150.

Background: The business and occupation tax (B&O) is imposed for the privilege of doing business in Washington. The tax is imposed on the gross receipts of all business activities (except utility activities) conducted within the state. B&O tax is deposited in the general fund.

Although there are several different rates, beginning July 1, 1998 the principal rates will be as follows:

Manufacturing/wholesaling	0.484%
Retailing	0.471%
Services	1.5%

In 1989, the Legislature imposed a taxes on carbonated beverages and on syrup which is used to make carbonated beverages. These taxes were part of the Omnibus Alcohol and Controlled Substances Act, which also imposed additional taxes on sales of wine, beer, spirits, and cigarettes. Under the 1989 legislation, these taxes were scheduled to expire July 1, 1995.

In 1994, the Legislature enacted the Youth Violence Prevention Act. This act made extensive changes in laws relating to youth violence prevention, drug education, and drug enforcement programs. It also 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 which was allowed to expire. However, the referendum increased the rate of the tax on beverage syrups from \$0.75 to \$1.00 per gallon. The tax portions of the measure were passed as Referendum 43 on the general election ballot in November 1994.

The carbonated beverage tax is imposed on each wholesale of syrup in this state. The wholesaler collects the tax on each wholesale and pays the tax to the department of revenue, but the retailer is the taxpayer. If a retailer purchases syrup from out of state, the retailer pays the syrup tax directly to the department of revenue.

The carbonated beverage syrup tax is deposited in the violence reduction and drug enforcement account (VRDE), along with revenue from the other taxes imposed under the 1989 Omnibus Alcohol and Controlled Substances Act . This account 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.

Summary of Bill: A retailer may claim a credit against B&O tax for the amount of carbonated syrup taxes paid. Therefore, revenue to the general fund will be reduced as a result of this bill, but not revenue to the VRDE account.

Appropriation: None.

Fiscal Note: Available.

Effective Date: July 1, 1998.