

FINAL BILL REPORT

SSB 5845

C 451 L 97

Synopsis as Enacted

Brief Description: Offsetting an increase in beer tax for health services account with corresponding decrease.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Swecker, Prentice, Sellar, Hargrove, Benton, Schow, Heavey, Wood, Bauer, Winsley, Wojahn, Haugen, Rasmussen, Jacobsen, McCaslin, Anderson, Newhouse, Johnson, Horn, West, Morton, Hochstatter, Sheldon, Goings, Finkbeiner, Rossi, Hale, Roach and Oke).

Senate Committee on Ways & Means

Background: The 1993 health care reform legislation increased taxes on cigarettes, tobacco products, spirits (hard liquor), beer, nonprofit hospitals, and health insurance premiums and prepayments. The revenue from these tax increases is deposited in the health services account and used to fund health care reform.

Beer tax is currently \$7.17 per barrel, or about \$0.022 per bottle, distributed as follows:

- \$2.60 to the liquor revolving fund
- \$0.18 to the state general fund
- \$2.00 to the violence reduction and drug enforcement account
- \$2.39 to the health services account

Revenue in the liquor revolving fund is first used for administration of the Liquor Control Board. Remaining funds are distributed as follows: the first 0.3 percent to certain border cities, and the remaining 99.7 percent to the state general fund (50 percent), counties (10 percent), and cities (40 percent).

The 1993 health care reform legislation increased the beer tax rates in three steps. The first increase was July 1, 1993, the second was July 1, 1995 and the final step is scheduled to increase by \$2.39 a barrel on July 1, 1997. The total beer tax will be \$9.56 a barrel with \$4.78 going to the health services account.

Micro-breweries are exempt from the portion of the tax that goes to the health services account. The total tax on micro-breweries is \$4.78 per barrel.

Summary: The general fund portion of the beer tax is reduced beginning July 1, 1997.

The liquor revolving fund portion is reduced from \$2.60 to \$1.30 per barrel and these revenues are distributed 80 percent to cities and 20 percent to counties. The state general fund portion (\$0.18) is eliminated.

Votes on Final Passage:

Senate	45	2
House	82	15

Effective: July 1, 1997