

SENATE BILL REPORT

SB 5845

As Reported By Senate Committee On:
Ways & Means, April 7, 1997

Title: An act relating to offsetting an increase in the beer tax for the health care services account with a corresponding decrease in other beer taxes.

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

Sponsors: 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.

Brief History:

Committee Activity: Ways & Means: 3/3/97, 4/7/97 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5845 be substituted therefor, and the substitute bill do pass.

Signed by Senators West, Chair; Strannigan, Vice Chair; Bauer, Brown, Fraser, Hochstatter, Kohl, Loveland, McDonald, Roach, Rossi, Schow, Sheldon, Snyder, Spanel, Swecker, Thibaudeau, Winsley and Zarelli.

Staff: David Schumacher (786-7474)

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 of Substitute Bill: 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.

Substitute Bill Compared to Original Bill: The original bill reduced both the general fund and the violence reduction and drug enforcement account.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 1997.

Testimony For: The beer industry has been heavily impacted by state and federal taxes. There is no reason to increase the beer tax again at this time.

Testimony Against: The violence reduction and drug enforcement account is very important and should not be hurt to give a tax break to the beer industry.

Testified: PRO: Dick Ducharme, WA Beer and Wine Wholesalers; Steve Wehrly, Miller Brewing; Dave Cammarano, Cammarano Brothers; Mark Greeberg, Greg Pierce, Anheuser Busch; CON: Marilee Hill-Anderson, Sumner School District; Priscilla Liztich, Safe Streets; Darlena Gray, Hilltop Coalition; Lois Baker, Yelm Schools; John Hughes, Mona Johnson, ESD 114; John Kvamme, Tacoma Schools.