

FINAL BILL REPORT

SSB 6602

FULL VETO

As Passed Legislature

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

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Anderson, Loveland, Bauer, Long, Goings, B. Sheldon, Strannigan, Benton, Rossi, Swecker, West, Schow and Oke).

Senate Committee on Ways & Means

House Committee on Finance

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

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

Manufacturing/wholesaling	0.484%
Retailing	0.471%
Services	1.5%

The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. Thus, the tax pyramids at each level of activity.

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. The violence reduction and drug enforcement account was created to replace the existing account. The tax portions of the measure were passed as Referendum 43 on the general election ballot in November 1994. 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 tax on carbonated beverage syrup (syrup tax-) is currently \$1 per gallon.

Summary: A taxpayer may claim a credit for one half of the amount of syrup- taxes paid against his or her B&O tax liability.

Votes on Final Passage:

Senate	35	11
House	76	18