

HOUSE BILL REPORT

SSB 6533

As Reported by House Committee On:
Finance

Title: An act relating to syrup taxes.

Brief Description: Providing a business and occupation tax credit for syrup taxes paid by a business.

Sponsors: Senators Prentice, Zarelli, Schoesler, Benton and McCaslin.

Brief History:

Committee Activity:

Finance: 2/22/06, 2/28/06 [DPA].

**Brief Summary of Substitute Bill
(As Amended by House Committee)**

- Allows buyers of carbonated beverage syrup a business and occupation tax credit for the amount of syrup tax phased in over three years starting July 1, 2006.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 11 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Condotta, Conway, Ericks, Hasegawa, Santos and Shabro.

Staff: Rick Peterson (786-7150).

Background:

The business and occupation (B&O) tax 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. There are generally no deductions for the costs of doing business. Revenue from the B&O tax go into the General Fund.

A tax of \$1.00 per gallon is imposed on each wholesale sale and each retail sale of syrup used in making carbonated beverages in this state. Successive sales of previously taxed syrup are exempt. The tax is collected by wholesalers from retail purchasers or directly by retailers. Receipts from the tax are deposited into the Violence Reduction and Drug Enforcement Account (VRDE).

Summary of Amended Bill:

A buyer of carbonated beverage syrup may claim a credit against business and occupation tax for the amount of carbonated beverage syrup tax paid phased in as follows: 25 percent for July 1, 2006 to June 30, 2007, 50 percent from July 1, 2007 to June 30, 2008, and 100 percent after June 30, 2008.

Amended Bill Compared to Substitute Bill:

The amendment phases in the tax credit.

Appropriation: None.

Fiscal Note: Requested on the amended bill.

Effective Date of Amended Bill: The bill takes effect on July 1, 2006.

Testimony For: (In support) Most restaurants are small businesses. Washington restaurants have the lowest profit margin in the United States. The restaurant industry has lost jobs over the last 4 years. We would prefer the 100 percent credit with the July 2007 start date. The minimum wage increase has increased costs substantially. The tax credit for the syrup tax is only half of the cost of one year's increase in the minimum wage.

(Concerns) The Department is concerned that the credit is taken for one tax against another tax.

Testimony Against: None.

Persons Testifying: (Pro w/striker) Denny Eliason, Washington Restaurant Association; and Mark Johnson, Washington Retail Association.

(Concerns) Gill Brewer, Department of Revenue.

Persons Signed In To Testify But Not Testifying: None.