

SENATE BILL REPORT

SSB 6533

As Passed Senate, February 20, 2006

Title: An act relating to syrup taxes.

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

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Prentice, Zarelli, Schoesler, Benton and McCaslin).

Brief History:

Committee Activity: Ways & Means: 1/24/06, 2/16/06 [DPS, DNP, w/oRec].

Passed Senate: 2/20/06, 43-5.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6533 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Doumit, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Kohl-Welles, Parlette, Pridemore, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Thibaudeau.

Minority Report: Do not pass.

Signed by Senator Fraser, Vice Chair, Capital Budget Chair.

Minority Report: That it be referred without recommendation.

Signed by Senator Fairley.

Staff: Terry Wilson (786-7433)

Background: The business & 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.

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 Bill: A buyer of carbonated beverage syrup may claim a credit against business and occupation tax for fifty percent of the amount of carbonated beverage syrup taxes paid after July 1, 2006, in respect to the syrup.

Credits in excess of B&O tax paid may be carried forward to future reporting periods for a maximum of one year.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: Washington restaurants have the lowest profit margin in the nation and the highest minimum wage. The cost pressures are acute. The syrup tax is often more than the business and occupation tax. The tax was passed as a temporary measure but was later made permanent. The restaurants were told the tax would be eliminated. This legislation protects the VRDE account.

Testimony Other: The Department of Revenue has concerns about taxes being credited against other taxes because the true incidence is hidden.

Who Testified: PRO: Julianne Hanner, McDonald's; Denny Eliason, WA Restaurant Assoc.; Greg Wilson, Dirty Dave's Pizza.

OTHER: Gil Brewer, Dept. of Revenue.

House Amendment(s): The House amendment phases in the tax credit as follows: 25 percent credit for July 1, 2006 to June 30, 2007, 50 percent from July 1, 2007 to June 30, 2008, 75 percent from July 1, 2008 to June 30, 2009, and 100 percent after June 30, 2009.