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HOUSE BILL 1089

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State of Washington                      59th Legislature                      2005 Regular Session

By Representatives McIntire and Sommers; by request of Governor Locke

Read first time 01/13/2005. Referred to Committee on Finance.

1            AN ACT Relating to increasing taxes on alcoholic beverages;  
2 amending RCW 66.24.210, 66.24.290, 66.08.196, and 82.08.150; providing  
3 an effective date; and declaring an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5            **Sec. 1.** RCW 66.24.210 and 2001 c 124 s 1 are each amended to read  
6 as follows:

7            (1) There is hereby imposed upon all wines except cider sold to  
8 wine distributors and the Washington state liquor control board, within  
9 the state a tax at the rate of twenty and one-fourth cents per liter.  
10 There is hereby imposed on all cider sold to wine distributors and the  
11 Washington state liquor control board within the state a tax at the  
12 rate of three and fifty-nine one-hundredths cents per liter: PROVIDED,  
13 HOWEVER, That wine sold or shipped in bulk from one winery to another  
14 winery shall not be subject to such tax. The tax provided for in this  
15 section shall be collected by direct payments based on wine purchased  
16 by wine distributors. Every person purchasing wine under the  
17 provisions of this section shall on or before the twentieth day of each  
18 month report to the board all purchases during the preceding calendar  
19 month in such manner and upon such forms as may be prescribed by the

1 board, and with such report shall pay the tax due from the purchases  
2 covered by such report unless the same has previously been paid. Any  
3 such purchaser of wine whose applicable tax payment is not postmarked  
4 by the twentieth day following the month of purchase will be assessed  
5 a penalty at the rate of two percent a month or fraction thereof. The  
6 board may require that every such person shall execute to and file with  
7 the board a bond to be approved by the board, in such amount as the  
8 board may fix, securing the payment of the tax. If any such person  
9 fails to pay the tax when due, the board may forthwith suspend or  
10 cancel the license until all taxes are paid.

11 (2) An additional tax is imposed equal to the rate specified in RCW  
12 82.02.030 multiplied by the tax payable under subsection (1) of this  
13 section. All revenues collected during any month from this additional  
14 tax shall be transferred to the state general fund by the twenty-fifth  
15 day of the following month.

16 (3) An additional tax is imposed on wines subject to tax under  
17 subsection (1) of this section, at the rate of one-fourth of one cent  
18 per liter for wine sold after June 30, 1987. After June 30, 1996, such  
19 additional tax does not apply to cider. An additional tax of five one-  
20 hundredths of one cent per liter is imposed on cider sold after June  
21 30, 1996. All revenues collected under this subsection (3) shall be  
22 disbursed quarterly to the Washington wine commission for use in  
23 carrying out the purposes of chapter 15.88 RCW.

24 (4) An additional tax is imposed on all wine subject to tax under  
25 subsection (1) of this section. The additional tax is equal to twenty-  
26 three and forty-four one-hundredths cents per liter on fortified wine  
27 as defined in RCW 66.04.010(~~(+38)~~) when bottled or packaged by the  
28 manufacturer, one cent per liter on all other wine except cider, and  
29 eighteen one-hundredths of one cent per liter on cider. All revenues  
30 collected during any month from this additional tax shall be deposited  
31 in the violence reduction and drug enforcement account under RCW  
32 69.50.520 by the twenty-fifth day of the following month.

33 (5)(a) An additional tax is imposed on all cider subject to tax  
34 under subsection (1) of this section. The additional tax is equal to  
35 two and four one-hundredths cents per liter of cider sold after June  
36 30, 1996, and before July 1, 1997, and is equal to four and seven one-  
37 hundredths cents per liter of cider sold after June 30, 1997.

1 (b) All revenues collected from the additional tax imposed under  
2 this subsection (5) shall be deposited in the health services account  
3 under RCW 43.72.900.

4 (6) An additional tax is imposed on all fortified wine, as defined  
5 in RCW 66.04.010, subject to tax under subsection (1) of this section.  
6 The additional tax is equal to forty-five and thirty-six one-hundredths  
7 cents per liter. All revenues collected during any month from this  
8 additional tax shall be transferred to the health services account in  
9 accordance with RCW 43.72.900 by the twenty-fifth day of the following  
10 month.

11 (7) An additional tax is imposed upon all wines subject to tax  
12 under subsection (1) of this section, except fortified wine as defined  
13 in RCW 66.04.010 and cider, at the rate of twenty-two and ninety-two  
14 one-hundredths cents per liter. An additional tax is imposed on all  
15 cider sold to wine distributors and the Washington state liquor control  
16 board within the state at the rate of eight and fourteen one-hundredths  
17 cents per liter. All revenues collected during any month from these  
18 additional taxes shall be transferred to the health services account in  
19 accordance with RCW 43.72.900 by the twenty-fifth day of the following  
20 month.

21 (8) For the purposes of this section, "cider" means table wine that  
22 contains not less than one-half of one percent of alcohol by volume and  
23 not more than seven percent of alcohol by volume and is made from the  
24 normal alcoholic fermentation of the juice of sound, ripe apples or  
25 pears. "Cider" includes, but is not limited to, flavored, sparkling,  
26 or carbonated cider and cider made from condensed apple or pear must.

27 **Sec. 2.** RCW 66.24.290 and 2003 c 167 s 5 are each amended to read  
28 as follows:

29 (1) Any microbrewer or domestic brewery or beer distributor  
30 licensed under this title may sell and deliver beer and strong beer to  
31 holders of authorized licenses direct, but to no other person, other  
32 than the board; and every such brewery or beer distributor shall report  
33 all sales to the board monthly, pursuant to the regulations, and shall  
34 pay to the board as an added tax for the privilege of manufacturing and  
35 selling the beer and strong beer within the state a tax of one dollar  
36 and thirty cents per barrel of thirty-one gallons on sales to licensees  
37 within the state and on sales to licensees within the state of bottled

1 and canned beer, including strong beer, shall pay a tax computed in  
2 gallons at the rate of one dollar and thirty cents per barrel of  
3 thirty-one gallons. Any brewery or beer distributor whose applicable  
4 tax payment is not postmarked by the twentieth day following the month  
5 of sale will be assessed a penalty at the rate of two percent per month  
6 or fraction thereof. Beer and strong beer shall be sold by breweries  
7 and distributors in sealed barrels or packages. The moneys collected  
8 under this subsection shall be distributed as follows: (a) Three-  
9 tenths of a percent shall be distributed to border areas under RCW  
10 66.08.195; and (b) of the remaining moneys: (i) Twenty percent shall  
11 be distributed to counties in the same manner as under RCW 66.08.200;  
12 and (ii) eighty percent shall be distributed to incorporated cities and  
13 towns in the same manner as under RCW 66.08.210.

14 (2) An additional tax is imposed on all beer and strong beer  
15 subject to tax under subsection (1) of this section. The additional  
16 tax is equal to two dollars per barrel of thirty-one gallons. All  
17 revenues collected during any month from this additional tax shall be  
18 deposited in the violence reduction and drug enforcement account under  
19 RCW 69.50.520 by the twenty-fifth day of the following month.

20 (3)(a) An additional tax is imposed on all beer and strong beer  
21 subject to tax under subsection (1) of this section. The additional  
22 tax is equal to ninety-six cents per barrel of thirty-one gallons  
23 through June 30, 1995, two dollars and thirty-nine cents per barrel of  
24 thirty-one gallons for the period July 1, 1995, through June 30, 1997,  
25 (~~and~~) four dollars and seventy-eight cents per barrel of thirty-one  
26 gallons for the period July 1, 1997, through April 30, 2005, and  
27 thirteen dollars and eighty-seven cents per barrel of thirty-one  
28 gallons thereafter.

29 (b) The additional tax imposed under this subsection does not apply  
30 to the sale of the first sixty thousand barrels of beer each year by  
31 breweries that are entitled to a reduced rate of tax under 26 U.S.C.  
32 Sec. 5051, as existing on July 1, 1993, or such subsequent date as may  
33 be provided by the board by rule consistent with the purposes of this  
34 exemption.

35 (c) All revenues collected from the additional tax imposed under  
36 this subsection (3) shall be deposited in the health services account  
37 under RCW 43.72.900.

1           (4)(a) An additional tax is imposed on all beer and strong beer  
2 that is subject to tax under subsection (1) of this section that is in  
3 the first sixty thousand barrels of beer and strong beer by breweries  
4 that are entitled to a reduced rate of tax under 26 U.S.C. Sec. 5051,  
5 as existing on July 1, 1993, or such subsequent date as may be provided  
6 by the board by rule consistent with the purposes of the exemption  
7 under subsection (3)(b) of this section. The additional tax is equal  
8 to one dollar and forty-eight and two-tenths cents per barrel of  
9 thirty-one gallons. By the twenty-fifth day of the following month,  
10 three percent of the revenues collected from this additional tax shall  
11 be distributed to border areas under RCW 66.08.195 and the remaining  
12 moneys shall be transferred to the state general fund.

13           (b) An additional tax is imposed on all beer and strong beer that  
14 is subject to tax under subsection (1) of this section that is in the  
15 first sixty thousand barrels of beer and strong beer by breweries that  
16 are entitled to a reduced rate of tax under 26 U.S.C. Sec. 5051, as  
17 existing on July 1, 1993, or such subsequent date as may be provided by  
18 the board by rule consistent with the purposes of the exemption under  
19 subsection (3)(b) of this section. The additional tax is equal to five  
20 dollars and thirty-eight and two-tenths cents per barrel of thirty-one  
21 gallons. All revenues collected during any month from this additional  
22 tax shall be transferred to the health services account in accordance  
23 with RCW 43.72.900 by the twenty-fifth day of the following month.

24           (5)(a) An additional tax is imposed on all beer and strong beer  
25 subject to tax under subsection (1) of this section. The additional  
26 tax is equal to one dollar and fifty cents per barrel of thirty-one  
27 gallons. All revenues collected during any month from this additional  
28 tax shall be deposited in the state general fund by the twenty-fifth  
29 day of the following month. The additional tax imposed under this  
30 subsection (5)(a) does not apply to the sale of the first sixty  
31 thousand barrels of beer each year by breweries that are entitled to a  
32 reduced rate of tax under 26 U.S.C. Sec. 5051, as existing on July 1,  
33 1993, or such subsequent date as may be provided by the board by rule  
34 consistent with the purposes of this exemption.

35           (b) An additional tax is imposed on all beer and strong beer that  
36 is subject to tax under subsection (1) of this section that is in the  
37 first sixty thousand barrels of beer and strong beer by breweries that  
38 are entitled to a reduced rate of tax under 26 U.S.C. Sec. 5051, as

1 existing on July 1, 1993, or such subsequent date as may be provided by  
2 the board by rule consistent with the purposes of the exemption under  
3 subsection (3)(b) of this section. The additional tax is equal to  
4 eighty-seven and six-tenths cents per barrel of thirty-one gallons.  
5 All revenues collected during any month from this additional tax shall  
6 be deposited in the state general fund by the twenty-fifth day of the  
7 following month.

8 (6) The board may make refunds for all taxes paid on beer and  
9 strong beer exported from the state for use outside the state.

10 ((+6+)) (7) The board may require filing with the board of a bond  
11 to be approved by it, in such amount as the board may fix, securing the  
12 payment of the tax. If any licensee fails to pay the tax when due, the  
13 board may forthwith suspend or cancel his or her license until all  
14 taxes are paid.

15 **Sec. 3.** RCW 66.08.196 and 2001 c 8 s 2 are each amended to read as  
16 follows:

17 Distribution of funds to border areas under RCW 66.08.190 and  
18 66.24.290 (1)(a) and (4)(a) shall be as follows:

19 (1) Sixty-five percent of the funds shall be distributed to border  
20 areas ratably based on border area traffic totals;

21 (2) Twenty-five percent of the funds shall be distributed to border  
22 areas ratably based on border-related crime statistics; and

23 (3) Ten percent of the funds shall be distributed to border areas  
24 ratably based upon border area per capita law enforcement spending.

25 Distributions to an unincorporated area shall be made to the county  
26 in which such an area is located and may only be spent on services  
27 provided to that area.

28 **Sec. 4.** RCW 82.08.150 and 2003 c 167 s 11 are each amended to read  
29 as follows:

30 (1) There is levied and shall be collected a tax upon each retail  
31 sale of spirits in the original package at the rate of fifteen percent  
32 of the selling price. The tax imposed in this subsection shall apply  
33 to all such sales including sales by the Washington state liquor stores  
34 and agencies, but excluding sales to spirits, beer, and wine restaurant  
35 licensees.

1 (2) There is levied and shall be collected a tax upon each sale of  
2 spirits in the original package at the rate of ten percent of the  
3 selling price on sales by Washington state liquor stores and agencies  
4 to spirits, beer, and wine restaurant licensees.

5 (3) There is levied and shall be collected an additional tax upon  
6 each retail sale of spirits in the original package at the rate of one  
7 dollar and seventy-two cents per liter. The additional tax imposed in  
8 this subsection shall apply to all such sales including sales by  
9 Washington state liquor stores and agencies, and including sales to  
10 spirits, beer, and wine restaurant licensees.

11 (4) An additional tax is imposed equal to fourteen percent  
12 multiplied by the taxes payable under subsections (1), (2), and (3) of  
13 this section.

14 (5) An additional tax is imposed upon each retail sale of spirits  
15 in the original package at the rate of seven cents per liter. The  
16 additional tax imposed in this subsection shall apply to all such sales  
17 including sales by Washington state liquor stores and agencies, and  
18 including sales to spirits, beer, and wine restaurant licensees. All  
19 revenues collected during any month from this additional tax shall be  
20 deposited in the violence reduction and drug enforcement account under  
21 RCW 69.50.520 by the twenty-fifth day of the following month.

22 (6)(a) An additional tax is imposed upon retail sale of spirits in  
23 the original package at the rate of one and seven-tenths percent of the  
24 selling price through June 30, 1995, two and six-tenths percent of the  
25 selling price for the period July 1, 1995, through June 30, 1997,  
26 ~~((and))~~ three and four-tenths of the selling price for the period July  
27 1, 1997, through April 30, 2005, and eight and four-tenths percent of  
28 the selling price thereafter. This additional tax applies to all such  
29 sales including sales by Washington state liquor stores and agencies,  
30 but excluding sales to spirits, beer, and wine restaurant licensees.

31 (b) An additional tax is imposed upon retail sale of spirits in the  
32 original package at the rate of one and one-tenth percent of the  
33 selling price through June 30, 1995, one and seven-tenths percent of  
34 the selling price for the period July 1, 1995, through June 30, 1997,  
35 ~~((and))~~ two and three-tenths of the selling price for the period July  
36 1, 1997, through April 30, 2005, and seven and three-tenths percent of  
37 the selling price thereafter. This additional tax applies to all such  
38 sales to spirits, beer, and wine restaurant licensees.

1 (c) An additional tax is imposed upon each retail sale of spirits  
2 in the original package at the rate of twenty cents per liter through  
3 June 30, 1995, thirty cents per liter for the period July 1, 1995,  
4 through June 30, 1997, (~~and~~) forty-one cents per liter for the period  
5 July 1, 1997, through April 30, 2005, and one dollar and forty-one  
6 cents per liter thereafter. This additional tax applies to all such  
7 sales including sales by Washington state liquor stores and agencies,  
8 and including sales to spirits, beer, and wine restaurant licensees.

9 (d) All revenues collected during any month from additional taxes  
10 under this subsection shall be deposited in the health services account  
11 created under RCW 43.72.900 by the twenty-fifth day of the following  
12 month.

13 (7) The tax imposed in RCW 82.08.020 shall not apply to sales of  
14 spirits in the original package.

15 (8) The taxes imposed in this section shall be paid by the buyer to  
16 the seller, and each seller shall collect from the buyer the full  
17 amount of the tax payable in respect to each taxable sale under this  
18 section. The taxes required by this section to be collected by the  
19 seller shall be stated separately from the selling price and for  
20 purposes of determining the tax due from the buyer to the seller, it  
21 shall be conclusively presumed that the selling price quoted in any  
22 price list does not include the taxes imposed by this section.

23 (9) As used in this section, the terms, "spirits" and "package"  
24 shall have the meaning ascribed to them in chapter 66.04 RCW.

25 NEW SECTION. **Sec. 5.** This act is necessary for the immediate  
26 preservation of the public peace, health, or safety, or support of the  
27 state government and its existing public institutions, and takes effect  
28 May 1, 2005.

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