

SENATE BILL REPORT

SB 6615

As of Second Reading

Title: An act relating to liquor revenue.

Brief Description: Concerning liquor revenue.

Sponsors: Senators Zarelli and Swecker.

Brief History:

Committee Activity:

Staff: Dean Carlson (786-7305)

Background: Liquor Excise Taxes. State sales taxes and volume taxes apply to spirits (hard liquor). Spirits are subject to a state volume tax of \$3.7708 per liter for retail sales and \$2.4408 per liter for sales to restaurants. All tax proceeds are deposited in the State General Fund. A state sales tax rate of 20.5 percent applies to spirits sold to consumers in the original package. The regular retail sales tax is not imposed on these sales. A sales tax rate of 13.7 percent applies to spirits sold to establishments that sell the spirits on their premises. The regular sales tax applies to retail sales of beverages by these establishments. Approximately, 26 percent of both sales taxes are deposited in the liquor excise tax fund and then distributed quarterly to cities and counties on the basis of population with a portion funding the Municipal Research Services Center.

Liquor Revolving Fund. The Washington State Liquor Control Board (WSLCB) was formed in 1933 by the Steele Act to regulate the importation, manufacture, distribution, and sale of alcohol. The WSCLB currently handles the purchase, distribution, and sale of liquor through a state-owned distribution center and state-owned stores and certain contract stores. Washington liquor is currently marked up and taxed prior to sale. The markup is the gross profit the state makes on the sale of liquor. (As described above, liquor is also subject to liquor excise taxes at the time of sale.) A portion of the markup supports the operations of the retail state liquor stores and the excess profits received from sales are deposited in the liquor revolving fund and returned to state and local governments. With the passage of Initiative 1183 in November 2011, the WSLCB will cease state liquor store and liquor distribution operations by June 1, 2012.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Initiative 1183 specifies that distributions from the liquor revolving fund to border areas, counties, cities, towns, and the municipal research and services center will be made in a manner that provides each category of recipient an amount from the liquor revolving fund no less than that received during comparable periods prior to the effective date of the initiative plus an additional \$10 million.

Summary of Bill: Liquor Excise Taxes. Beginning July 1, 2012, the distributions to cities, counties, and the Municipal Research Services Center are no longer made and the funds must be deposited instead into the general fund.

Liquor Revolving Fund. Beginning July 1, 2012, the distributions to cities and counties from the liquor revolving fund are modified. Instead of distributing monies to cities and counties formulaically based on amounts deposited in the fund, distributions will be made as provided under Initiative Measure No. 1183.

Appropriation: None.

Fiscal Note: Requested on March 2, 2012. However see fiscal note for HB 2140.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2012