

SENATE BILL REPORT

SB 6388

As Reported by Senate Committee On:
Trade & Economic Development, February 3, 2016

Title: An act relating to providing small winery tax relief.

Brief Description: Providing small winery tax relief.

Sponsors: Senators Warnick, Honeyford and Bailey.

Brief History:

Committee Activity: Trade & Economic Development: 1/27/16, 2/03/16 [DP-WM].

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Brown, Chair; Braun, Vice Chair; Chase, Ranking Minority Member; Angel, Ericksen and McCoy.

Staff: Jeff Olsen (786-7428)

Background: The Washington Wine Commission (Commission) was created in 1987 to represent both the producers of wine and the growers of vinifera wine grapes. The Commission undertakes research, promotional, and educational activities to help its industry. The Commission is funded through a tax on the sale of wine and through a commodity assessment on wine producers and growers.

The Washington Liquor and Cannabis Board administers the collection of the wine tax. The tax rate for wine varies based on the type of wine sold. Tax rates include \$0.2292 per liter for table wines, \$0.4536 per liter for fortified wines, and \$.0814 per liter for cider.

Summary of Bill: Except for amounts designated for disbursement to the Washington Wine Commission, a domestic winery's first 20,000 gallons of wine sold in a calendar year are exempt from paying the wine tax.

Appropriation: None.

Fiscal Note: Requested on January 20, 2016.

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.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: Washington has many small, start-up wineries, and many of these small businesses are struggling. Washington has other tax breaks for small businesses, and small wineries are small businesses. Washington wine is a wonderful product, and small wineries provide jobs and pay taxes. The recession was difficult on small wineries, and many are in survival mode and many have gone out of business. The wine tax revenue small wineries pay could be used for equipment and operating costs, such as bottles, to continue to bring their product to market. The exemption could provide tax relief for around 800 small wineries.

OTHER: Washington has a high tax burden, wineries pay a number of state and federal taxes. The wine industry paid \$6.2 million in taxes and supports 26,000 direct and indirect jobs in Washington, including tourism jobs. Tax relief for the wine industry would benefit small wineries trying to grow their business.

The bill is not just benefitting small wineries, it is also available to large wineries. The bill as drafted is unconstitutional and violates the commerce clause. The US Supreme Court has ruled on this issue before in a 1984 case *Bacchus Imports, Ltd v. Dias*, and was also upheld in 2004 in *Granholm v. Heald*. If the tax is changed to include both in-state and out-of-state wineries, out-of-state wineries could support the bill.

Persons Testifying: PRO: Senator Warnick, prime sponsor; John Bell, Paul Beveridge, Family Wineries of Washington State.

OTHER: Rowland Thompson, The Wine Institute; Josh McDonald, Washington Wine Institute.

Persons Signed In To Testify But Not Testifying: No one.