

# HOUSE BILL REPORT

## HB 2563

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### As Reported by House Committee On: Commerce & Gaming

**Title:** An act relating to consumer sales price notification regarding spirits sold at retail for off-premises consumption.

**Brief Description:** Requiring retailers to post the total sale price of spirits for sale.

**Sponsors:** Representatives Condotta and Sawyer.

#### **Brief History:**

##### **Committee Activity:**

Commerce & Gaming: 1/16/18, 1/29/18 [DPS].

#### **Brief Summary of Substitute Bill**

- Requires a licensed spirits retailer to display to the public the total sale price for each container or package of spirits offered for sale to the consumer, inclusive of all state and federal taxes and fees, except state and local sales taxes.
- Requires that the total sale price be displayed in the location in the store most likely to be seen and understood by the consumer.
- Defines "total sale price" to mean the actual dollar amount that the consumer must pay to the retailer at the time of completion of the retail sales transaction, including all state and federal taxes and fees, except state and local sales taxes.

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### HOUSE COMMITTEE ON COMMERCE & GAMING

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Sawyer, Chair; Kloba, Vice Chair; Condotta, Ranking Minority Member; Vick, Assistant Ranking Minority Member; Blake, Jenkin, Kirby, Ryu and Young.

**Staff:** Thamas Osborn (786-7129).

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*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.*

**Background:**

A consumer that purchases spirits from a licensed spirits retailer pays two state taxes at the time of purchase:

- a spirits liter tax at the rate of \$3.7708 per liter; and
- a spirits sales tax at the rate of 20.5 percent of the retail price.

It is the practice of some spirits retailers to not disclose state taxes in the prices of spirits products posted on product shelves or in display areas within the store. In such cases, customers are generally informed of such taxes only at the time of actual purchase at the cash register.

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**Summary of Substitute Bill:**

A spirits retailer licensed to conduct sales of spirits for off-premises consumption must display to the public the total sale price for each container or package of spirits offered for sale to the consumer for consumption off the licensed premises, inclusive of all state and federal taxes and fees, except state and local sales taxes. "Total sale price" is defined to mean the actual dollar amount that the consumer must pay to the retailer at the time of completion of the retail sales transaction, including all state and federal taxes and fees, except state and local sales taxes.

The total sale price must be displayed in the location most likely to be seen and understood by the consumer, as follows:

- immediately adjacent to the spirits product being offered for sale and must be done in a manner that provides the consumer with clear notice of the total sale price; or
- in the event it is impracticable for the retailer to display the total sale price on shelving or other display area, the retailer must affix a label or tag on each container or package of spirits clearly stating the total sale price.

**Substitute Bill Compared to Original Bill:**

The substitute bill strikes the term "conspicuous" with respect to the public notice requirements regarding the posting of the total sale price of spirits sold by licensed retailers.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Although most spirits retailers post the total sale price of spirits products, many do not. Consumers can be deceived if the total sale price is not explicitly disclosed in display areas. There should be uniform standards regarding how retail spirits prices are disclosed. This bill is good for consumers because it gives them notice of the actual retail price and requires price transparency.

(Opposed) Taxation is the major difference between spirits and other forms of liquor. In total, spirits are taxed at a rate of \$33.54 per gallon, whereas wine is taxed at 87 cents per gallon and beer at 26 cents per gallon. In Oregon, spirits are taxed at the rate of \$22.00 per gallon. Washington has the highest spirits tax rates in the nation. Washington's border cities lose enormous amounts of business to Oregon and Idaho, where spirits taxes are much lower. The liquor tax system is in need of reform.

(Other) The requirements of the bill might not be practical for many spirits retailers and would be burdensome. Many provisions in the bill are ambiguous and need to be clarified. "Conspicuous" is a vague term that needs definition.

**Persons Testifying:** (In support) Representative Condotta, prime sponsor; and Brad Tower, Washington Liquor Store Association.

(Opposed) Charlie Brown, Diageo.

(Other) Holly Chisa, Northwest Grocery Association; and Carolyn Logue, Washington Food Industry Association.

**Persons Signed In To Testify But Not Testifying:** None.