

SENATE BILL REPORT

SB 5427

As of February 28, 2017

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

Brief Description: Providing small winery tax relief.

Sponsors: Senator Warnick.

Brief History:

Committee Activity: Agriculture, Water, Trade & Economic Development: 2/16/17.

Brief Summary of Bill

- Exempts a domestic winery's first 20,000 gallons of wine sold in a calendar year from paying the wine tax, except for amounts designated for disbursement to the Washington Wine Commission.

SENATE COMMITTEE ON AGRICULTURE, WATER, TRADE & ECONOMIC DEVELOPMENT

Staff: Greg Vogel (786-7413)

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.

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.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: This bill is brought by and aimed at helping small wineries. Many wineries, particularly the smaller ones, are still hurting from the recession. For every one that succeeds, two go out of business. One of the reasons for this is the excise tax. Now with the Washington economy booming, now is the time to reform the wine tax. The tax only has a \$2 million impact on the state, and wineries are one of the only small businesses not receiving a small business tax break. Breweries and distilleries receive relief in this area.

CON: There are two US Supreme Court cases that speak to the constitutionality of this bill. Particularly *Bacchus Imports, Ltd. v. Dias*, but also *Granholm v. Heald* held that states cannot discriminate against out-of-state competitors on this basis. There are alternatives that can be implemented that are constitutional. The state can provide tax relief through the business and occupation tax, or the state could apply excise tax relief across the board.

Persons Testifying: PRO: Senator Judy Warnick, Prime Sponsor; Paul Beveridge, Family Wineries of Washington State; Josh McDonald, Washington Wine Institute.

CON: Rowland Thompson, The Wine Institute.

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