
Regulated Substances & Gaming Committee

HB 1587

Brief Description: Creating a spirit tax exemption for veterans' service organizations.

Sponsors: Representatives Shavers and Lekanoff.

Brief Summary of Bill

- Provides that spirits taxes do not apply to sales of spirits purchased on a military base by a Washington veterans' service organization for use as a fundraising prize for a veterans' service organization fundraising event.
- Defines "veterans' service organization" as specified types of nonprofit organizations and corporations.

Hearing Date: 1/31/23

Staff: Peter Clodfelter (786-7127).

Background:

Spirits are subject to both a spirits sales tax and a spirits liter tax. The spirits sales tax is based on the selling price of the spirits in the original package. The rate paid by the public is 20.5 percent. The rate paid by on-premises retailers like restaurants on purchases from distributors and distillers is 13.7 percent.

The spirits liter tax is based on the volume of spirits being sold in the original package. The spirits liter tax rate for the public is \$3.7708 per liter and the rate paid by on-premises retailers like restaurants on purchases from distributors and distillers is \$2.4408.

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

In Fiscal Year 2022 spirits tax collections totaled \$354.5 million. In Fiscal Year 2021 spirits tax collections totaled \$370.2 million.

Summary of Bill:

Beginning January 1, 2024, spirits taxes do not apply to sales of spirits purchased on a military base by a Washington veterans' service organization for use as a fundraising prize for a veterans' service organization fundraising event.

The term "veterans' service organization" is defined as a nonprofit entity whose principal focus is raising funds to assist veterans of the armed forces of the United States and meets at least one of the following criteria:

- it is an organization exempt from tax under section 501(c) (3), (4), or (10) of the Internal Revenue Code;
- it is a nonprofit organization that would qualify for tax exempt status under the above Internal Revenue Code sections, except that it is not organized as a nonprofit corporation; or
- it is a nonprofit organization and: (1) members, stockholders, officers, directors, or trustees of the organization do not receive any part of the organization's gross income, except as payment for services rendered; and (2) the compensation received by any person for services rendered to the organization does not exceed an amount reasonable under the circumstances.

It is provided that the legislation is not subject to tax preference performance statement requirements or an expiration date.

Appropriation: None.

Fiscal Note: Requested on 01/26/2023.

Effective Date: The bill takes effect on January 1, 2024.