

SENATE BILL REPORT

SB 5054

As of February 13, 2025

Title: An act relating to providing tax exemption for the first 20,000 gallons of wine sold by a winery in Washington.

Brief Description: Providing tax exemption for the first 20,000 gallons of wine sold by a winery in Washington.

Sponsors: Senators Warnick, Stanford, Boehnke, Chapman, Dozier and Nobles.

Brief History:

Committee Activity: Labor & Commerce: 1/24/25, 1/31/25 [DP-WM, DNP, w/oRec].
Ways & Means: 2/13/25.

Brief Summary of Bill

- Reduces the tax rate on table wine and cider sold by a winery that sells less than 20,000 gallons of table wine or cider in a calendar year.

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: Do pass and be referred to Committee on Ways & Means.
Signed by Senators Saldaña, Chair; Alvarado, Braun, MacEwen and Stanford.

Minority Report: Do not pass.
Signed by Senators Conway, Vice Chair; Ramos.

Minority Report: That it be referred without recommendation.
Signed by Senators King, Ranking Member; Schoesler.

Staff: Marlon Llanes (786-7423)

SENATE COMMITTEE ON WAYS & MEANS

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.

Staff: Alia Kennedy (786-7405)

Background: Wine and Cider Taxes. Wine is taxed when it is sold to distributors, retailers, or consumers. The total excise tax rate on wine or cider consists of the base tax rate and additional taxes required by statute. The total tax rate for table wines is \$0.2292 per liter. The total tax rate for cider is \$0.0814 per liter.

Most revenue from the wine tax goes to the state general fund. The Liquor and Cannabis Board is authorized to allocate a specified amount of wine tax revenue to the Washington State University for wine and grape research. The Washington Wine Commission receives revenue collected from the following additional taxes on wine and cider:

- \$0.0025 per liter of wine.
- \$0.0005 per liter of cider.

Tax Preference. A tax preference includes an exemption or preferential rate for a tax. Legislation that proposes a new tax preference must include a performance statement that specifies the public policy objectives of the tax preference and the metrics that will be used to evaluate the tax preference. An automatic ten-year expiration date is applied to new tax preferences if an alternate expiration date is not provided.

Definitions. Cider means table wine that contains no less than 0.5 percent of alcohol by volume (ABV) and not more than 8.5 percent of ABV and is made from normal alcoholic fermentation of the juice of sound, ripe apples or pears, and includes flavored, sparkling, or carbonated cider.

Table wine refers to wine containing no more than 14 percent of ABV when bottled or packaged by the manufacturer.

Summary of Bill: Wine and Cider Taxes. A winery that sells less than a combined total of 20,000 gallons of table wine and cider in a calendar year is subject to a reduced tax rate of \$0.0528 per liter of table wine and cider. A winery that qualifies for this tax rate is not subject to most other excise taxes on wine and cider, except for the additional taxes for which revenues are distributed to the Washington Wine Commission.

The revenues from the reduced tax rate on table wine and cider must be deposited in the Liquor Revolving Fund and are subject to allocation to the Washington State University.

Tax Preference. A tax preference performance statement is included that states the Legislature's public policy objective is to promote the development of small wineries and the jobs they provide, and to extend this tax preference if a review finds the preference accomplishes its specified goals.

Appropriation: None.

Fiscal Note: Requested on February 10, 2025.

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 on Proposed Substitute (Labor & Commerce):
The committee recommended a different version of the bill than what was heard. PRO: The tax rate for wine in Washington is disproportionately high compared to other states, which puts wineries in the state at a competitive disadvantage. Many small wineries in Washington are closing and this trend has persisted for years. Small wineries need relief. Similar tax exemptions apply to liquor and beer.

OTHER: The bill should be amended to support the entire wine industry in Washington. Many family wineries would not have access to this change in tax policy as written. It is unclear how this bill would be applied to out-of-state wineries. The bill should be amended to apply the tax exemption to the first 20,000 gallons of wine or cider for all wineries.

Persons Testifying (Labor & Commerce): PRO: Senator Judy Warnick, Prime Sponsor; PAUL BEVERIDGE, Wilridge Vineyard, Winery & Distillery.

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

Persons Signed In To Testify But Not Testifying (Labor & Commerce): No one.