

Repeal the B&O tax credit for syrup tax paid

Description This proposal would eliminate the business and occupation (B&O) tax credit for the amount of syrup tax paid by a syrup buyer.

Current Law RCW 82.64.020 imposes a tax of one dollar per gallon on wholesale and retail sales of syrup used to make carbonated beverages. Successive sales of previously taxed syrup are not subject to the tax. Wholesalers collect the tax from their buyers. Retailers pay the tax directly to the Department on retail sales that are subject to the tax. Revenue from the syrup tax is deposited into the state General Fund. Before July 1, 2009, the tax was deposited into the violence reduction and drug enforcement account.

Enacted in 1989, the tax originally applied to sales of syrup and canned and bottled carbonated beverages. It was scheduled to expire July 1, 1995. A 1994 voter-approved initiative modified the tax to permanently apply to syrup sales only.

RCW 82.04.4486 was enacted in 2006 to provide a B&O tax credit for the amount of syrup tax paid by a buyer who purchased the syrup to use in making carbonated beverages that are sold by the buyer. Phased in over time, the amount of the B&O tax credit is now equal to 100 percent of the amount of the syrup tax paid by the buyer. The amount of credit claimed cannot exceed the amount of B&O tax due during a reporting period. Unused credit, however, may be used on subsequent tax returns for up to 12 months after the credit was earned.

Revenue Impact

General Fund Impacts (\$ millions):

# of Impacted Taxpayers	FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
2,400	\$ -	\$ 4.6	\$ 4.6	\$ 5.1	\$ 5.1	\$ 10.2

Notes:

- Estimates assume a July 1, 2016 effective date, representing 11 months of collections for FY 2017.
- Estimates reflect the November 2015 Economic & Revenue Forecast Council revenue forecast.

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**Expenditure
 Impact**

FY 2016	FY 2017	2015-17 Biennium	FY 2018	FY 2019	2017-19 Biennium
\$ 3,400	\$ -	\$ 3,400	\$ -	\$ -	\$ -