

BEER TAX
RCW 66.24.290

Tax Base Brewers or distributors of beer pay a tax for the privilege of manufacturing or selling beer in Washington. The tax applies to each 31 gallon barrel or its equivalent in cans and bottles. Beer is also subject to retail sales tax, whether purchased in the original container or for consumption on-premises of the seller.

Tax Rate \$8.08 per barrel

The overall rate consists of the following:

- basic tax of \$1.30 per barrel (RCW 66.24.290(1)); plus
- additional tax of \$2.00 per barrel (RCW 66.24.290(2)).
- additional tax of \$4.78 per barrel (RCW 66.24.290(3,a)). Exemption from this tax rate is provided for small breweries on the first 60,000 barrels produced each year, RCW 66.24.290(3,b). However, RCW 66.24.290(4) imposes an additional tax of \$1.482 on these same barrels.

Tax Levied by State

Recent Collections (\$000)

<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2009	\$32,415	2.8%	0.2%
2008	31,517	1.9	0.2
2007	30,916	1.8	0.2
2006	30,370	1.6	0.2
2005	29,899	(2.9)	0.2
2004	30,799	3.3	0.2
2003	29,819	3.1	0.2
2002	28,913	(4.1)	0.2
2001	30,136	6.6	0.3
2000	28,268	(7.8)	0.2

Administration

Liquor Control Board. Brewers and beer wholesalers report the tax each month; the payment is due by the 20th day of the following month.

Distribution of Receipts

- (1) Basic tax of \$1.30 per barrel; receipts are distributed as follows:
 - 0.3% to certain border cities and counties for law enforcement costs;
 - 99.7% distributed as follows:
 - 20% all counties on the basis of unincorporated population; and
 - 80% all cities on the basis of population.
- (2) \$2.00 per barrel; receipts go to the state general fund (RCWs 66.24.290(2)); and
- (3) \$4.78 per barrel; receipts go to the state general fund (RCWs 66.24.290(3,c)).
- (4) \$1.482 tax for barrels exempted from the \$4.78 rate; 3 percent of the receipts are distributed to border cities and counties per RCW 66.08.195 and the remainder goes to the state general fund.

Exemptions and Refunds

- Exemption for sales to the Armed Forces.
- Refund for tax paid on exported beer, RCW 66.24.300.
- Refund for tax paid on unsalable beer that is destroyed, RCW 66.24.305.
- Exemption only from the \$4.78 rate for small breweries for the first 60,000 barrels produced each year.

History

This tax was enacted in 1934 at \$1.00 per barrel. In 1965 the rate was increased to \$1.50 for canned and bottled beer (31 gallon barrel equivalent). The \$1.00 and \$1.50 rates were combined in 1981 and increased to a basic rate of \$2.60. The following year surtaxes were added, increasing the overall rate to \$2.782. In 1989 an additional temporary tax of \$2.00 for drug programs was adopted; the tax was made permanent in 1994. The additional tax for health care was established in 1993 at \$0.96 per barrel with automatic increases to \$2.39 on July 1, 1995, and then to \$4.78 on July 1, 1997. In 1997 the rate of the basic tax was

reduced from \$2.60 to \$1.30 per barrel and the 7 percent surtax was repealed. The latest change occurred in 2003 when strong beer (more than 8 percent alcohol by weight) was shifted from the liquor sales tax and made subject to this tax.

Through Fiscal Year 2009 a portion of the tax was earmarked for the violence reduction/drug enforcement account and the health services account. These dedicated revenues were eliminated effective July 1, 2009.

Discussion/Major Issues

Because of large increases in state and federal taxes on beer manufacturers in recent years, there may be concern among the industry and consumers that the tax burden on beer has become excessive.