

SOFT DRINKS SYRUP TAX  
Chapter 82.64 RCW

Tax Base      Syrup used in making carbonated beverages. Syrup is defined as a concentrated liquid to which carbonated water is added to produce a carbonated beverage. The tax is imposed on wholesale or retail sales of such syrup within the state.

Tax Rate      \$1.00 per gallon.

Levied By      State

Administration      Department of Revenue. The tax is collected by wholesalers from retail purchasers (i.e., restaurants and others who sell fountain soft drinks) or reported directly by wholesalers who use syrup to bottle non-trademarked beverages. The tax is reported on the Combined Excise Tax Return.

Recent Collections (\$000)

<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2009	\$8,365	-.%	0.1%
2008	(1,305)	-.-	0.0
2007	9,313	(1.1)	0.1
2006	9,413	(2.8)	0.1
2005	9,688	(45.7)	0.1
2004	17,846	92.0	0.1
2003	9,293	1.0	0.1
2002	9,205	(0.8)	0.1
2001	9,278	(6.3)	0.1
2000	9,901	0.1	0.1

NOTE: The large receipts for Fiscal Year 2004 were attributable to audits; similarly the net negative receipts for Fiscal Year 2008 were due to a large refund.

Exemptions, Deductions and Credits

- successive sales of previously taxed syrup;
- beverages/syrup exported from the state;
- sales of trademarked syrup to bottlers;
- syrup which was subject to the tax prior to June 1, 1991;
- syrup subject to similar taxes in other states or countries.

A B&O tax credit for syrup taxes paid was enacted in 2006. While this does not directly affect the syrup tax, it does allow syrup taxpayers to credit their syrup tax liability against the state business tax, thereby shifting the impact of the syrup tax from firms that use carbonated beverage syrup to the state general fund. The credit was phased in from Fiscal Year 2007 to Fiscal Year 2010. Starting on July 1, 2009, 100 percent of syrup tax paid is eligible for crediting against the state B&O tax.

Distribution of Receipts

State general fund. (Violence reduction/drug enforcement account until July 1, 2009 (RCW 69.50.520).)

History

The tax was adopted in 1989, effective on July 1, 1989. Originally it applied to either canned and bottled carbonated beverages at a rate of 0.084 cents per ounce (roughly one cent per 12 ounce container) plus a tax of 75 cents per gallon for syrup used to produce carbonated beverages. Initially, the tax was scheduled to be in effect for six years before expiring on July 1, 1995. In 1991 the tax was modified from a first possession tax to one that applies at both the wholesale and retail level, but an exemption is provided for subsequent sales of previously taxed products.

At the November 1994 election the voters approved Referendum 43 (the first voter-approved tax increase under Initiative 601) which extended the tax by eliminating the expiration date. In addition to increasing cigarette tax rates which also fund the violence prevention and drug enforcement account, this measure repealed the carbonated beverage tax on canned and bottled drinks but increased the 75 cent tax that applies to syrup used in making such beverages to \$1.00 per gallon. These changes were effective on July 1, 1995.

In 2009, dedication of the syrup tax receipts to the violence reduction and drug enforcement account was repealed.

Discussion/Major Issues

Approximately 190 taxpayers currently report syrup tax. The number of firms from whom they collect the tax is unknown.

The original carbonated beverage and syrup tax was enacted as part of a comprehensive funding package to combat alcohol and drug abuse in Washington. Partial explanation for the tax lies in the assumption that youth represent much of the consumption of soft drinks, while the programs funded by the tax are largely directed toward youth violence and drug problems. However, starting on July 1, 2009, the tax was no longer dedicated to the violence reduction and drug enforcement account, but instead was deposited in the state general fund.