S. E. No. 2218—OS—1-67

Washington State Liquor Control Board

INTER-OFFICE CORRESPONDENCE

Town: Olympia, Washington

Date: April 18, 1973

To: Leroy Hittle, Board Member

From: James E. Hoing, Controller

Subject: Senate Bill No. 2866

It is my understanding that Senate Bill No. 2866 has passed the 1973 Washington State Legislature and now awaits the Governor's signature. As per your request, a brief outline of the bill and its effects follow:

1. The 10¢ per gallon tax which is currently collected at the winery or certificate of approval holder level on wines sold through licensed channels has been discontinued.

2. The 26% sales tax at the wholesale level on wines sold through licensees and at the retail level on wines sold through the Board has been discontinued.

3. A 75¢ per gallon tax is provided for in the bill and will be collected at the wholesale level on wines sold through licensees and at the Board level on wines sold through the Board. The tax will be collected based on purchases rather than sales. I would assume the tax will be due upon receipt of the wine by the wholesaler or the Board.

4. The bill provides for the application of the 4.5% State retail sales tax and the .5% (.8% in King County) local retail sales tax on Board sales of wines at the retail level.

5. It is presumed that the wholesalers will apply the 75¢ per gallon gallonage tax to their markup formula prior to the addition of their markup. This being the case, and assuming a continuation of the same approximate percentage of wholesale markup, the wholesalers will realize approximately $2.2 million in additional revenue in the 1973-1975 biennium.

6. There will be an approximate $5,420,000 loss in revenue resulting from the bill, divided $4,350,000 to the State General Fund and $1,070,000 to the cities and counties. The loss in revenue is for the 1973-1975 biennium.

7. Assuming that retailers will continue to charge the same approximate percentage of markup after the bill as before, the total purchase price to the public will decrease approximately $3.3 million in the 1973-1975 biennium.

8. My calculations, again assuming continuation of the current markup rates at wholesale and retail levels, indicate very little change in prices to the buying public on the low priced or volume wines, a decrease in price to the buying public on the medium priced items, and a significant decrease on the expensive wines.

PLAINTIFF'S EXHIBIT

CASE NO. CV04-0360P

EXHIBIT NO. 047

WSA04376

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