

HB 2202

Bill Analysis

March 4, 1997

Brief Description: Modifying the tobacco products tax by clarifying the base, but not changing the rates.

Bill Sponsors: Representative Dyer; by request of Department of Revenue.

Staff: Rick Peterson (786-7150)

Background: Cigarette and tobacco products taxes are added directly to the price of these goods before the sales tax is applied. The current rate for the cigarette tax is 82.5 cents per pack of 20 cigarettes. The rate for tobacco products is 74.9 percent of the wholesale price. Examples of tobacco products are cigars, pipe tobacco, and chewing tobacco.

Revenue from the first 23 cents of the cigarette tax goes to the general fund. The next 8 cents are dedicated to water quality improvement programs through June 30, 2021, and to the general fund thereafter. The next 41 cents goes to the health services account. The remaining 10.5 cents are dedicated to youth violence prevention and drug enforcement. For tobacco products tax revenues, 48.15 percent goes to the general fund, 10 percent to the health services account, and the remaining 16.75 percent is dedicated to water quality improvement programs through June 30, 2021, and to the general fund thereafter.

The tobacco products tax is due from the distributor when the distributor brings tobacco products into the state, manufactures tobacco products in the state, or ships tobacco products to retailers in this state.

The tax is based on the wholesale price. The wholesale price is the price charged by the manufacturer to a distributor.

Some tobacco products manufacturers sell their products to distributors who are affiliated with the manufacturer. The affiliate then sells tobacco products to other distributors in Washington who in turn sell to retail stores.

There is some question about whether the wholesale price on which the tax is based should be the price charged by the manufacturer to its affiliate or the price charged by the affiliate to the distributor.

Summary of Bill: The measure of the tobacco products tax is changed from the wholesale price to the distribution sales price. The distribution sales price is the price charged by a manufacturer or a manufacturer's affiliate to a wholesaler or retailer not affiliated with the manufacturer.

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Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.