



Initiative 1183 (Concerning Liquor)
Presentation to the Joint Select Committee on
Junior Taxing Districts

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Budget Proviso Directs Review of I-1183:

2012 Operating Budget Proviso:

From Section 101, 3ESHB 2127

- Review impact of the passage of I-1183 on public safety needs.
- Provide a sustainable plan for the use and disbursement of excess liquor revenues.



Initiative 1183 Brief Summary

- Privatizes the purchase, distribution, and sale of spirits in Washington State.
- Authorized licensed distributors to begin selling spirits to licensees on March 1, 2012.
- Closed state liquor stores by June 1, 2012.
- Allowed licensed retailers to sell spirits to the public on June 1, 2012.



Two Sources of Liquor Revenue for Local Governments: Liquor Excise Taxes and Excess Revenue

- Excess Liquor Revenues or “Profits”:
 - Approximately 50% shared with cities/counties.
 - (Before I-1183) Profits from liquor sales.
 - (After I-1183) New license fees.
- Liquor Excise Taxes -Volume Tax and Sales Tax:
 - Approximately 25% of liquor sales tax shared with cities and counties.



Excess Liquor Revenues: New Retailer and Distributor Fees Replace Liquor Profits

New License Fees:

- Requires spirits retailers to pay a license issuance fee of 17% of liquor sales revenues.
- Requires spirits distributors to pay a license issuance fee of 10% of liquor sales revenues, decreasing to 5% beginning in the third year.
 - However, in the first year, licensed distributors must have paid collectively \$150 million.
- Creates a \$166 annual spirits retailer license and a \$1,320 annual spirits distributor license.



Excess Liquor Revenue Distributions to Local Governments

- Before passage of I-1183, excess liquor revenues were shared 50/50 between state and local governments
- The local share: 0.3% border areas, and the remainder split 80% cities and 20% counties.
- I-1183 provides a “guarantee” that revenues to local governments would be no less than amounts received before passage of the initiative, plus an additional \$10 million per year for enhancing public safety programs.
- ESHB 2823 (2012) Eliminates the 50/50 state-local sharing. Locals will receive the “guarantee” amount, which is a fixed amount based on prior distributions, plus \$10 million.



Liquor Tax Distributions to Local Governments

Liquor Excise Taxes:

- Retail sales to consumers:
 - 20.5% sales tax (approximately 25% shared with local governments), \$3.77 liter tax.
- Sales to Licensees (restaurants, taverns):
 - 13.7% sales tax (approximately 25% shared with local governments), \$2.44 liter tax.
- ESHB 2823 (2012) redirected one-time in Fiscal Year 2013 an estimated \$28.8 million in liquor sales tax revenues from local governments to the general fund.
- In FY 2014 and beyond, \$10 million per year from local liquor sales tax revenues are redirected to the general fund.



Summary of Liquor Distributions to Local Governments

Total Estimated Revenues		(\$ millions)		
Fiscal Year	2011	2012 (est.)	2013 (est.)	2014 (est.)
Excess Liquor Revenues	\$44.4	\$46.7	*\$49.4	*\$49.4
Liquor Sales Taxes	\$26.3	\$28.2	\$0	\$21.9
Total Revenues	\$70.7	\$74.9	\$49.4	\$71.3

*FY 2013 and FY 2014 estimates include an additional \$10 million distribution to local governments to enhance public safety programs. FY 2014 Liquor Sales Tax distributions are reduced by an ongoing \$10 million redirection to the state general fund.



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Questions?