Washington Approves Taxes On Soda, Candy

Rachel La Corte, Associated Press Writer

OLYMPIA, Wash. (AP) — A multimillion-dollar revenue package that increases taxes on bottled water, soda, candy and mass-produced beer was approved by the Washington state Legislature as lawmakers finished their work to plug a $2.8 billion budget deficit.

Just hours before the Legislature adjourned the special session, the Senate passed, on a 25-21 vote, the measure that makes up about $668 million of Democrats' nearly $800 million revenue package. The House passed the bill Saturday, and it now goes to Gov. Chris Gregoire.

The Senate tax vote came Monday evening, and the Legislature adjourned the special session early Tuesday morning.

Senate Majority Leader Lisa Brown, D-Spokane, said that taxes are needed to pay for "the critical public structures that unite us together as communities."

"I'll never call it irresponsible to fund education and higher education," she said. "This is a balanced budget. To do it without any revenues would be beyond our values."

After struggling for months to agree on a revenue package to help balance the state budget hole through 2011, Democratic leaders came to an agreement over the weekend.

Separate bills raise the rest of the nearly $800 million lawmakers need to balance the budget, including higher cigarette taxes that would bring in about $101 million through June 2011.

All of the Senate Republicans voted against the tax package. Six Democrats voted no: Sens. Steve Hobbs of Lake Stevens, Claudia Kauffman of Kent, Derek Kilmer of Gig Harbor, Chris Marr of Spokane, Tim Sheldon of Potlatch and Rodney Tom of Medina.

"You don't raise taxes in a time of a recession," Sheldon said. "I think it's not going to help us replace the jobs that we've lost. I don't think it's going to help us create new jobs that we desperately need in the state.

The biggest chunk of the bill passed Monday night is a temporary tax increase for service businesses — like attorneys and real estate agents — that would bring in about $242 million. Taxes on bottled water, soda, candy and gum and mass-produced beer would add nearly $156 million.

The higher beer tax of 50 cents per gallon — a 28 cent-increase on a six-pack —

would bring in $59 million. Microbrews would be exempt.

Republicans argued that Democrats didn't focus enough on cuts and government reform.

"Unless we do something different than simply raising taxes and spending in the same manner we've been doing, we're going to be back here again doing this next year," said Sen. Joe Zarelli, R-Ridgefield. "When does the madness stop?"

The tax on soda bottlers would add 2 cents to every 12-ounce container, with bottlers under $10 million in volume exempt. That raises nearly $34 million.

The plan also makes some revisions to the tax code, removing or modifying some tax exemptions, including reversing a court ruling that extended tax breaks to out-of-state direct sales companies, which alone will bring the state $155 million.

Candy and gum also would be subject to the state's 6.5 percent sales tax, with a temporary tax credit tied to jobs for candy manufacturers with employees in the state. That would raise nearly $31 million. Bottled water would also be subject to the sales tax, bringing in nearly $33 million.

The higher pop, beer and service taxes would expire in mid-2013. The bottled water tax also would end in 2013, unless voters in November approve a bonds measure on the ballot that would to support energy-efficiency renovations at schools around the state. If voters approve the bonds measure that passed the Legislature Monday night, the sales tax on bottle water would become permanent.

Bottlers already have started a campaign against the proposed soda tax, and have said that if it is approved and becomes law, they are willing to consider a referendum campaign to put the issue before voters in November.

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The tax package is Senate Bill 6143.

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