

Initiative Measure No.

1634

Initiative Measure No. 1634 concerns taxation of certain items intended for human consumption.

This measure would prohibit new or increased local taxes, fees, or assessments on raw or processed foods or beverages (with exceptions), or ingredients thereof, unless effective by January 15, 2018, or generally applicable.

Should this measure be enacted into law?

Yes

No

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The Secretary of State is not responsible for the content of statements or arguments (WAC 434-381-180).

Explanatory Statement

Written by the Office of the Attorney General

The Law as it Presently Exists

All local taxation must be authorized by state law. Current state law gives broad taxing authority to counties, cities, and towns. The Washington Supreme Court has recognized that cities' and towns' taxing authority includes the authority to tax retailers for the privilege of conducting a specific type of retail business within the city. Counties and cities also have authority to impose sales and use taxes within certain limits that the Legislature has set. For example, local sales or use taxes can be imposed only when the state sales or use tax is also due on a sale or item.

Local governments like cities and counties have relied on this broad local taxing authority to impose taxes related to specific products. For example, in 2017 the City of Seattle adopted an ordinance imposing a privilege tax on the distribution of sweetened beverages like soda within the city limits. The City of Seattle's tax is calculated based on the volume of sweetened beverages or concentrate distributed in the city.

The State has imposed state sales and use taxes on the retail sale of most items, but food and food ingredients are generally exempt from these state taxes. Nevertheless, state sales and use taxes are imposed on prepared food, alcoholic beverages, bottled water, and soft drinks. There are also additional state taxes on alcoholic beverages, cigarettes, tobacco products, and marijuana products.

The Effect of the Proposed Measure if Approved

If adopted, Initiative 1634 would prevent local governments from imposing or collecting any new tax, fee, or other assessment on certain grocery items after January 15, 2018. This restriction would prohibit any new local tax, fee, or assessment of any kind on the manufacture, distribution, sale, possession, ownership, transfer, transportation, container, use, or consumption of certain groceries. Initiative 1634 would also prohibit any increase of existing local taxes, fees, or assessments on these grocery items after January 15, 2018.

Local governments covered by this initiative are counties, cities, and towns, as well as other municipal corporations and local taxing districts. Covered grocery items would include any raw or processed food or beverage, or any ingredient, intended for human consumption. This would include, for example, meat, produce, grains, dairy products, nonalcoholic beverages, spices, and condiments, among other things. Covered groceries do not include alcoholic beverages, marijuana products, or tobacco.

Initiative 1634 would not prevent the State from imposing new taxes on groceries. It would not prevent local governments from imposing or collecting a new tax, fee, or assessment that is generally applicable to a broad range of businesses and business activity, so long as it does not impose a higher tax rate on groceries or impose a higher tax rate based on

a classification related to groceries. Initiative 1634 would not prohibit a local tax, fee, or assessment on alcoholic beverages, marijuana products, or tobacco. Initiative 1634 would not restrict counties' and cities' existing authority to impose local sales and use taxes. Initiative 1634 would not restrict local governments' existing authority to impose other taxes on transactions involving non-grocery items.

Fiscal Impact Statement

Written by the Office of Financial Management
For more information visit www.ofm.wa.gov/ballot

FISCAL IMPACT SUMMARY

Initiative 1634 prohibits new or increased local taxes, fees or assessments on raw or processed foods, beverages or their ingredients, intended for human consumption except alcoholic beverages, marijuana products and tobacco, unless they are generally applicable and meet specified requirements. The initiative allows local government to continue to collect revenue if the ordinance was in effect by Jan.15, 2018. The revenue and expenditure impacts cannot be determined because the potential lost revenue is based on volume of product sold within the jurisdiction.

GENERAL ASSUMPTIONS

- The effective date of the initiative is Dec. 6, 2018.
- The provisions of the initiative apply to taxes, fees or other assessments on groceries applied after Jan. 15, 2018.
- Estimates use the state's fiscal year of July 1 through June 30. Fiscal year 2019 is July 1, 2018, to June 30, 2019.

REVENUE

Local revenue impacts

The initiative has an indeterminate impact on local revenue. It would prohibit imposing or collecting any new tax or fee, or making an inflationary adjustment on taxes or fees on certain grocery items after Jan. 15, 2018.

The city of Seattle enacted a sweetened beverage privilege tax prior to the effective date of the initiative. Seattle estimates the tax will generate \$23.378 million per year. Since the imposition of the tax was started before Jan. 15, 2018, the tax will remain in effect. However, the city of Seattle would not be able to adjust the tax by inflation.

State revenue impacts assumptions and description

The initiative would not have a state revenue impact because it does not apply to state taxes, fees or other assessments.

EXPENDITURES

Local government expenditures

The initiative would not have an expenditure impact on local governments because it prevents the future imposition of local taxes or fees on groceries after Jan. 15, 2018.

State government expenditures

The initiative would not have an expenditure impact on state government because it does not apply to state taxes, fees or other assessments.

Argument for

Yes on I-1634 protects working families, farmers, and local businesses.

I-1634 would ensure that our groceries – foods and beverages that we consume every day – are protected from any new or increased local tax, fee, or assessment.

Help keep groceries affordable.

The rising cost of living makes it harder for families to afford the basics. Special interest groups across the country, and here in Washington, are proposing taxes on groceries like meats, dairy and juices – basic necessities for all families. I-1634 would prevent local governments from enacting new taxes on groceries. Higher grocery prices don't hurt the wealthy elites but crush the middle class and those on fixed incomes, including the elderly.

Take a stand for fairness.

Washington has the most regressive tax system in the country and places a larger tax burden on the backs of middle and fixed-income families than the wealthy. Taxes on groceries make our current tax structure even more unfair for those struggling to make ends meet.

Bipartisan and diverse support for I-1634 from citizens, farmers, local businesses, and community organizations.

Organizations that represent Washington farmers (Washington Farm Bureau, Tree Fruit Association, State Dairy Federation), labor (Joint Council of Teamsters, International Association of Machinists, Seattle Building Trades), and business (Washington Beverage Association, Washington Food Industry Association, Washington Retail Association, Korean American Grocers Association) are united in supporting I-1634 to keep our groceries affordable.

By voting yes on I-1634, you can take a stand for affordability and fairness for Washington's working families.

Rebuttal of argument against

I-1634 prohibits new, local taxes on groceries, period. It does not prevent voters from raising taxes on anything else to meet local needs. *This is necessary to close a loophole allowing municipalities to tax groceries, even though the state does not.* That's why thousands of Washington workers, farmers, small businesses, and consumers support I-1634. It protects us from taxation of everyday foods and beverages which raises prices, costs jobs and hurts working families.

Written by

Jeff Philipps, Spokane civic leader, President of Rosauers Supermarkets; **April Clayton**, Farmer, Chelan/Douglas County Farm Bureau Vice President; **Haddia Abbas Nazer**, Yakima small businesswoman, Central Washington Hispanic Chamber President; **Carl Livingston**, Seattle community activist, lawyer, professor, and Pastor; **Heidi Piper Schultz**, Vancouver small businesswoman, Corwin Beverage Company Board President; **Larry Brown**, Auburn City Councilman, Aerospace Machinists 751 Legislative Director

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Argument against

Initiative 1634 takes away local control and gives it to the state

This confusing measure imposes a one-size-fits-all state law that takes power away from voters and hands it to the state, silencing our voice in local decision-making. Different communities have unique needs and local voters deserve a say in how revenue decisions are made. This initiative is a slippery slope toward greater state control at the expense of our cities, towns, and local communities.

Corporate special interests are spending millions to strip away voter choices and protect profits

I-1634 has nothing to do with keeping our food affordable. In fact, tax prohibitions on everyday food items – from fruits and vegetables to milk and bread—are already reflected in voter approved state law. Instead, this measure is funded almost exclusively by the multi-billion-dollar soda industry. They are only concerned with their profits and are spending millions on this initiative—and misleading advertisements—that would undermine local control.

Reject Initiative 1634 to prevent future erosion of local powers by special interests

I-1634 sets a dangerous precedent -- any special interest could spend millions on a misleading initiative to limit our rights as voters and our local autonomy. Voting *no* sends a clear message that we value local control and will not be fooled by the political agenda of wealthy industries or outside groups.

Rebuttal of argument for

State law already precludes taxes on groceries. Initiative 1634 is funded by the soda industry to take away local choices from our cities and towns. This confusing measure reduces local options while increasing state control at a time when we are struggling to fund important community programs. Stand with doctors, teachers and community advocates in saying no to this blatant corporate power grab.

Written by

Mary Ann Bauman, MD, American Heart Association; **Kate Burke**, Spokane City Council; **Jill Mangaliman**, Got Green; **Jim Krieger**, MD, MPH Healthy Food America; **Val Thomas-Matson**, Healthy King County Coalition; **Carolyn Conner**, Nutrition First

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Complete Text

Initiative Measure No. 1634

AN ACT Relating to the taxation of groceries; and adding a new chapter to Title 82 RCW.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

NEW SECTION. Sec. 1. SHORT TITLE. This chapter may be known and cited as the “keep groceries affordable act of 2018.”

NEW SECTION. Sec. 2. KEEPING GROCERIES AFFORDABLE: FINDINGS AND DECLARATIONS.

(1) Whereas access to food is a basic human need of every Washingtonian; and

(2) Whereas keeping the price of groceries as low as possible improves the access to food for all Washingtonians; and

(3) Whereas taxing groceries is regressive and hurts low- and fixed-income Washingtonians the most; and

(4) Whereas working families in Washington pay a greater share of their family income in state and local taxes than their wealthier counterparts; now, therefore,

(5) The people of the state of Washington find and declare that no local governmental entity may impose any new tax, fee, or other assessment that targets grocery items.

NEW SECTION. Sec. 3. DEFINITIONS.

For purposes of this chapter: (1) “Alcoholic beverages” has the same meaning as provided in RCW 82.08.0293.

(2) “Groceries” means any raw or processed food or beverage, or any ingredient thereof, intended for human consumption except alcoholic beverages, marijuana products, and tobacco. “Groceries” includes, but is not limited to, meat, poultry, fish, fruits, vegetables, grains, bread, milk, cheese and other dairy products, nonalcoholic beverages, kombucha with less than 0.5% alcohol by volume, condiments, spices, cereals, seasonings, leavening agents, eggs, cocoa, teas, and coffees whether raw or processed.

(3) “Local governmental entity” has the same meaning as provided in RCW 4.96.010.

(4) “Marijuana products” has the same meaning as provided in RCW 69.50.101.

(5) “Tax, fee, or other assessment on groceries” includes, but is not limited to, a sales tax, gross receipts tax, business and occupation tax, business license tax, excise tax, privilege tax, or any other similar levy, charge, or exaction of any kind on groceries or the manufacture, distribution, sale, possession, ownership, transfer, transportation, container, use, or consumption thereof.

(6) “Tobacco” has the same meaning as provided in RCW 82.08.0293.

NEW SECTION. Sec. 4. KEEPING GROCERIES TAX FREE—PROTECTING TRADITIONAL LOCAL REVENUE STREAMS—CONTINUED AUTHORITY.

Notwithstanding any other law to the contrary:

(1) Except as provided in subsections (2) through (4) of

this section, a local governmental entity may not impose or collect any tax, fee, or other assessment on groceries.

(2) Nothing in this section precludes the continued collection of any existing tax, fee, or other assessment on groceries as is in effect as of January 15, 2018; but no existing tax, fee, or other assessment on groceries may be increased in rate, scope, base, or otherwise after January 15, 2018, except as provided in subsections (3) and (4) of this section.

(3) Nothing in this section prohibits the imposition and collection of a tax, fee, or other assessment on groceries if:

(a) The tax, fee, or other assessment is generally applicable to a broad range of businesses and business activity; and

(b) The tax, fee, or other assessment does not establish or rely on a classification related to or involving groceries or a subset of groceries for purposes of establishing or otherwise resulting in a higher tax rate due to such classification.

(4) Nothing in this section prohibits the imposition and collection of a local retail sales and use tax pursuant to RCW 82.14.030 on those persons taxable by the state under chapters 82.08 and 82.12 RCW.

NEW SECTION. Sec. 5. IMPLEMENTATION.

Notwithstanding any other law to the contrary:

(1) This chapter applies to any tax, fee, or other assessment on groceries first imposed, increased, or collected by a local governmental entity on or after January 15, 2018.

(2) The provisions of this chapter are to be construed liberally so as to effectuate their intent, policy, and purposes.

NEW SECTION. Sec. 6. SEVERABILITY.

(1) If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

(2) The people of the state of Washington hereby declare that they would have adopted this chapter, and each and every portion, section, subsection, clause, sentence, phrase, word, and application not declared invalid or unconstitutional without regard to whether any portion of this chapter, or application thereof, would be subsequently declared invalid.

NEW SECTION. Sec. 7. Sections 1 through 5 of this act constitute a new chapter in Title 82 RCW.

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