

Department of Revenue Fiscal Note

Bill Number: 6092 SB	Title: Moist snuff	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2008	FY 2009	2007-09	2009-11	2011-13
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	595,000	603,000	1,198,000	1,249,000	1,259,000
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	44,000	45,000	89,000	93,000	94,000
GF-STATE-State 01 - Taxes 26 - Other Tobacco Tax	113,000	14,000	127,000	(266,000)	(929,000)
Water Quality-State 01 - Taxes 26 - Other Tobacco Tax	84,000	51,000	135,000	8,000	(212,000)
Performance Audit Account-State 01 - Taxes 01 - Retail Sales Tax	1,000	1,000	2,000	2,000	2,000
Health Services-State 01 - Taxes 26 - Other Tobacco Tax	6,686,000	6,904,000	13,590,000	14,703,000	15,710,000
Total \$	7,523,000	7,618,000	15,141,000	15,789,000	15,924,000

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.3		0.1		
Fund					
GF-STATE-State 001-1	44,300	4,400	48,700	9,600	9,600
Total \$	44,300	4,400	48,700	9,600	9,600

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note revises the revenue impacts. This fiscal note supercedes 6092-1.

Tobacco products other than cigarettes and cigars are currently taxed at a rate of 75 percent of wholesale value. This proposal will change the way that moist snuff is taxed by replacing the current value based tax on moist snuff with a weight based tax. Products other than moist snuff are unaffected.

Section two of the proposal defines moist snuff to mean any finely cut, ground, or powered tobacco that is not intended to be smoked. However, snuff that is intended for the nasal cavity is excluded from the definition.

Section three sets the tax rate for moist snuff at \$1.88 per ounce. For cans or packages weighing 1.2 ounces or more, the tax on fractional parts of an ounce will be a proportionate dollar amount. The proposal specifies that cans or packages weighing less than 1.2 ounces will be taxed at "equivalent" rates.

Section four amends the intent section of chapter 82.26 RCW, concerning the other tobacco products tax, to add the intent of taxing moist snuff based on net weight as listed by the manufacturer.

Section five directs the Department of Revenue (Department) to work with manufacturers and wholesalers to continue to improve the assessment and collection methods in this evolving market.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

Data is from Department and industry sources.

It is assumed that the volume of moist snuff sales will grow 6 percent per year for the next six years, that sales of the least expensive brands are growing most rapidly, and that the market share for premium brands will continue to fall.

It is assumed that this proposal intends to set the minimum tax at \$2.256 per can or package regardless of how small the can or package may be.

It is also assumed that this bill is effective 90 days after the end of the legislative session.

REVENUE ESTIMATES

General fund revenues will increase by \$752,000 in Fiscal Year 2008 due to increased collections of other tobacco products taxes and retail sales taxes. Health care account collections will increase \$6.7 million and the water quality account collections will increase \$84,000 in Fiscal Year 2008.

Local sales taxes will increase by \$184,000 in Fiscal Year 2008.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2008 - \$ 7,523
FY 2009 - \$ 7,618
FY 2010 - \$ 7,763
FY 2011 - \$ 8,026
FY 2012 - \$ 8,014
FY 2013 - \$ 7,910

Local Government, if applicable (cash basis, \$000):

FY 2008 - \$ 184
FY 2009 - \$ 186
FY 2010 - \$ 189
FY 2011 - \$ 196
FY 2012 - \$ 196
FY 2013 - \$ 193

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

To implement this legislation the Department will incur costs of approximately \$44,300 during Fiscal Year 2008. These are costs for programming to set up, test, and verify the computer systems to handle reporting changes, the printing of a special notice and reporting addendum, and for the amendment of one rule.

Time for programming support equates to approximately 0.2 of an FTE.

Fiscal Year 2008 costs of \$4,400 are for the printing of a reporting addendum and \$16,800 for printing of a special notice.

The Department will incur ongoing costs of approximately \$4,400 during Fiscal Year 2009, \$9,600 during the 2009-2011 Biennium, and \$9,600 during the 2011-2013 Biennium. These costs are to for the printing of a reporting addendum.

Due to the August 1, 2007, effective date of this legislation, the Department will incur costs in Fiscal Year 2007 of approximately \$18,600 for programming to set up, test, and verify the computer systems to handle reporting changes. Labor costs equate to approximately 0.2 FTE.

Without an appropriation to cover the expenditure impact, the Department may not be fully able to implement the legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.3		0.1		
A-	14,500		14,500		
B-	3,600		3,600		
E-	24,600	4,400	29,000	9,600	9,600
J-	1,600		1,600		
Total \$	\$44,300	\$4,400	\$48,700	\$9,600	\$9,600

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2008	FY 2009	2007-09	2009-11	2011-13
HEARINGS SCHEDULER	31,056	0.0		0.0		
IT SPEC 4	54,372	0.2		0.1		
RULES MANAGER	78,194	0.0		0.0		
RULES POLICY SPECIALIST	64,587	0.0		0.0		
TAX POLICY SPECIALIST 3	61,500	0.0		0.0		
Total FTE's		0.3		0.2		

Part IV: Capital Budget Impact

NONE.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the expedited process to amend WAC 458-20-185, Tax on tobacco products. Persons affected by this rule-making would include those who purchase or sell moist snuff.