

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 6092 SB AMS WM S4623.2	<b>Title:</b> Moist snuff
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## Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(194,000)	4,249,000	(135,000)	12,966,000	400,000	15,263,000
<b>Total \$</b>	(194,000)	4,249,000	(135,000)	12,966,000	400,000	15,263,000

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

## Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.3	69,100	69,100	.0	9,600	9,600	.0	9,600	9,600
Department of Health	.0	15,000	15,000	.0	35,000	35,000	.0	0	0
<b>Total</b>	0.3	\$84,100	\$84,100	0.0	\$44,600	\$44,600	0.0	\$9,600	\$9,600

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

Because this bill was identified as a proposal governed by the requirements of Initiative 960, this fiscal note has an attachment showing the ten-year cost to taxpayers of the proposed taxes or fees.

<b>Prepared by:</b> Ryan Black, OFM	<b>Phone:</b> 360-902-0417	<b>Date Published:</b> Revised 2/29/2008
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 20530

# Individual State Agency Fiscal Note

Revised

<b>Bill Number:</b> 6092 SB AMS WM S4623.2	<b>Title:</b> Moist snuff	<b>Agency:</b> 105-Office of Financial Management
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## Part I: Estimates

☒ **No Fiscal Impact**

*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.

Legislative Contact:	Phone:	Date: 02/01/2008
Agency Preparation: Stephanie Lidren	Phone: 360-902-3056	Date: 02/06/2008
Agency Approval: Aaron Butcher	Phone: 360-902-0406	Date: 02/06/2008
OFM Review: Mike Woods	Phone: 360-902-9819	Date: 02/07/2008

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.*

Section 6 of the bill directs the department of health, with the assistance of the department of revenue and the office of financial management, to study this issue by examining the historic, current, and future trends and data, including but not limited to which products are consumed, by which age group, and how the products were acquired, beginning with the year 2000. A report shall be submitted to the house of representatives and senate fiscal and health care committees by December 1, 2009.

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.*

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.*

Part III: Expenditure Detail

Part IV: Capital Budget Impact

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.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 6092 SB AMS WM S4623.2	<b>Title:</b> Moist snuff	<b>Agency:</b> 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		437,000	437,000	1,419,000	1,741,000
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax		32,000	32,000	106,000	129,000
GF-STATE-State 01 - Taxes 26 - Other Tobacco Tax		(663,000)	(663,000)	(1,660,000)	(1,470,000)
Water Quality-State 01 - Taxes 26 - Other Tobacco Tax		(196,000)	(196,000)	(477,000)	(402,000)
Performance Audit Account-State 01 - Taxes 01 - Retail Sales Tax		11,000	11,000	36,000	44,000
Health Services-State 01 - Taxes 26 - Other Tobacco Tax		4,628,000	4,628,000	13,542,000	15,221,000
<b>Total \$</b>		4,249,000	4,249,000	12,966,000	15,263,000

### Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.5		0.3		
<b>Fund</b>					
GF-STATE-State 001-1	64,700	4,400	69,100	9,600	9,600
<b>Total \$</b>	64,700	4,400	69,100	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.

Legislative Contact:	Phone:	Date: 02/01/2008
Agency Preparation: Steve Smith	Phone: 360-570-6080	Date: 02/29/2008
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 02/29/2008
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 02/29/2008

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 reflects a revision to the Initiative 960 impact, and supercedes fiscal note number 6092-3.

This fiscal note reflects Senate amendment AMS WM S4623.2 to SB 6092.

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 with a tax based on package weight. The proposal includes a minimum tax for packages weighing less than 1.2 ounces. The tax rate on products other than moist snuff are unaffected, though the distribution of all revenues from the other tobacco products tax is altered to provide a greater share of the funds to the health services account.

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. The definition of tobacco product is also amended to include any product that contains tobacco and is intended for human consumption.

Section three amends RCW 82.26.020 to set the moist snuff tax rate at \$1.88 per ounce. Therefore, the tax on a 1.2 ounce can will be \$2.256 (two dollars and twenty-five and six tenths cents per can.) For cans or packages weighing more than 1.2 ounces the tax will be a proportionate dollar amount. Cans or packages weighing less than 1.2 ounces will have a minimum tax of \$2.256 per package.

Section three also changes the way that other tobacco products tax receipts are distributed. This includes products other than moist snuff. The changes are shown below:

	Current Law	Proposed Law
General Fund	37 percent	28 percent
Health Services Account	50 "	62 "
Water Quality Account	13 "	10 "

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.

Section six directs the Department of Health, assisted by the Department and The Office of Financial Management, to study the consumption of moist snuff by youth, since the year 2000. The study will examine historic, current, and future trends, and data including the types of products consumed, by which age group, and how the products were acquired. A report shall be submitted to the House of Representatives and to the Senate fiscal and health care committees by December 1, 2009.

Section seven stipulates that the new moist snuff tax of \$1.88 per ounce with a minimum of \$2.256 per package will be effective as of September 1, 2008. However, section seven makes the change in the distribution of the funds effective as of October 1, 2008.

Section eight declares an emergency and makes the proposal effective immediately.

## 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:

- under current law there will be some 14 million cans or packages of moist snuff sold annually,
- total cans or packages are growing at 4 percent a year,
- the average price per unit is rising at 2.1 percent a year,
- discount brands' market share will surpass the premium brands' for the first time in fiscal year 2008,
- the price elasticities of demand are (-)1.5, (-)1.2, and (-)0.9 for the premium, mid-range, and discount market segments respectively,
- the premium brand and mid-range brands will pick up 46 percent and 4 percent respectively of the sales lost by discount brands as the price of discount products rises,
- the retail prices of discount brands will rise by 60% to 70% while the price of premium brands does not rise, and
- taxed sales will decline by some 2.5 million cans or packages due to buyer elasticity effects.

### REVENUE ESTIMATES

General fund revenues will decrease by \$194,000 in Fiscal Year 2009. This includes a \$437,000 general fund increase from increased retail sales taxes and a \$32,000 increase from increased business and occupation taxes, but which is offset by a loss of \$663,000 from the portion of other tobacco products taxes that are dedicated to the general fund. Health care account collections will increase \$4.6 million and the water quality account collections will decrease \$196,000 in Fiscal Year 2009.

Local sales taxes will increase by \$140,000 in Fiscal Year 2009.

### TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2008 -	\$ 0
FY 2009 -	\$ 4,249
FY 2010 -	\$ 6,197
FY 2011 -	\$ 6,769
FY 2012 -	\$ 7,379
FY 2013 -	\$ 7,884

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

FY 2008 -	\$ 0
FY 2009 -	\$ 140
FY 2010 -	\$ 214
FY 2011 -	\$ 240
FY 2012 -	\$ 267
FY 2013 -	\$ 290

## 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 \$64,700 during Fiscal Year 2008. These are costs for programming to setup, test, and verify the computer systems to handle reporting changes, printing of a special notice and reporting addendum, and for the amendment of one administrative rule. Time and effort equates to approximately 0.5 FTE.

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

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.5		0.3		
A-	31,000		31,000		
B-	7,700		7,700		
E-	22,900	4,400	27,300	9,600	9,600
J-	3,100		3,100		
<b>Total \$</b>	<b>\$64,700</b>	<b>\$4,400</b>	<b>\$69,100</b>	<b>\$9,600</b>	<b>\$9,600</b>

### 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	63,195	0.4		0.2		
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		
<b>Total FTE's</b>		<b>0.5</b>		<b>0.3</b>		

## 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.

## OFM Notes:

Because this bill was identified as a proposal governed by the requirements of Initiative 960, this fiscal note has an attachment showing the ten-year cost to taxpayers of the proposed taxes or fees.

# Ten-Year Analysis

FN # 6092-4

Revenue Analy STEPHEN SMITH

02/29/2008

<b>Bill Number:</b> S4623.2	<b>Title:</b> AN ACT Relating to improving the administration of taxes by implementing weight-based taxation for moist snuff
<b>Agency:</b> Revenue - 140	

NOTE: This ten-year analysis is limited to the estimated cash receipts associated with the tax or fee increases proposed in this bill and the associated administrative costs of those increased taxes or fees.

## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Account, Major Source and Source Code, Title of Fee or Tax	Fiscal Year 08	Fiscal Year 09	2007-09 Total	Fiscal Year 10	Fiscal Year 11	2009-11 Total
General Fund --OTP Tax = 126		-663,000	-663,000	-857,000	-803,000	-1,660,000
General Fund --B&O Tax = 105		32,000	32,000	50,000	56,000	106,000
General Fund --RTS Tax = 101		437,000	437,000	669,000	750,000	1,419,000
Perf. Audit --RTS Tax = 101		11,000	11,000	17,000	19,000	36,000
Health Care Acct. -OTP Tax = 126		4,628,000	4,628,000	6,567,000	6,975,000	13,542,000
Water Quality -OTP Tax = 126		-196,000	-196,000	-249,000	-228,000	-477,000
<b>Total</b>	<b>0</b>	<b>4,249,000</b>	<b>4,249,000</b>	<b>6,197,000</b>	<b>6,769,000</b>	<b>12,966,000</b>

### Estimated Expenditures from:

	Fiscal Year 08	Fiscal Year 09	2007-09 Total	Fiscal Year 10	Fiscal Year 11	2009-11 Total
FTE Staff Years	0.49	0.00	0.25	0.00	0.00	0.00
<b>Fund</b>						
GF-State	64,700	4,400	69,100	4,800	4,800	9,600
GF-Federal			0			0
Other (specify)			0			0



# Ten-Year Analysis

FN # 6092-4

Bill Number:

S4623.2

Agency:

Revenue - 140

## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts

Account, Major Source and Source Code, Title of Fee or Tax	Fiscal Year 12	Fiscal Year 13	2011-13 Total	Fiscal Year 14	Fiscal Year 15	2013-15 Total
General Fund --OTP Tax = 126	-740,000	-730,000	-1,470,000	-670,000	-603,000	-1,273,000
General Fund --B&O Tax = 105	62,000	67,000	129,000	74,000	82,000	156,000
General Fund --RTS Tax = 101	834,000	907,000	1,741,000	1,002,000	1,104,000	2,106,000
Perf. Audit --RTS Tax = 101	21,000	23,000	44,000	25,000	28,000	53,000
Health Care Acct. -OTP Tax = 1	7,406,000	7,815,000	15,221,000	8,306,000	8,825,000	17,131,000
Water Quality -OTP Tax = 126	-204,000	-198,000	-402,000	-174,000	-147,000	-321,000
<b>Total</b>	<b>7,379,000</b>	<b>7,884,000</b>	<b>15,263,000</b>	<b>8,563,000</b>	<b>9,289,000</b>	<b>17,852,000</b>

### Estimated Expenditures

	Fiscal Year 12	Fiscal Year 13	2011-13 Total	Fiscal Year 14	Fiscal Year 15	2013-15 Total
FTE Staff Years	0.00	0.00	0.00	0.00	0.00	0.00
<b>Fund</b>						
GF-State	4,800	4,800	9,600	4,800	4,800	9,600
GF-Federal			0			0
Other (specify)			0			0

# Ten-Year Analysis

FN # 6092-4

Bill Number:

S4623.2

Agency:

Revenue - 140

## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts

Account, Major Source and Source Code, Title of Fee or Tax	Fiscal Year 16	Fiscal Year 17	2015-17 Total	2008-17 TOTAL
General Fund --OTP Tax = 126	-530,000	-449,000	-979,000	-6,045,000
General Fund --B&O Tax = 105	90,000	99,000	189,000	612,000
General Fund --RTS Tax = 101	1,212,000	1,328,000	2,540,000	8,243,000
Perf. Audit --RTS Tax = 101	31,000	34,000	65,000	209,000
Health Care Acct. -OTP Tax = 1	9,373,000	9,952,000	19,325,000	69,847,000
Water Quality -OTP Tax = 126	-118,000	-87,000	-205,000	-1,601,000
<b>Total</b>	<b>10,058,000</b>	<b>10,877,000</b>	<b>20,935,000</b>	<b>71,265,000</b>

### Estimated Expenditures

	Fiscal Year 16	Fiscal Year 17	2015-17 Total	2008-17 TOTAL
FTE Staff Years	0.00	0.00	0.00	
<b>Fund</b>				
GF-State	4,800	4,800	9,600	107,500
GF-Federal			0	0
Other (specify)			0	0

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 6092 SB AMS WM S4623.2	<b>Title:</b> Moist snuff	<b>Agency:</b> 303-Department of Health
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

<b>FUND</b>					
<b>Total \$</b>					

### Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
<b>Fund</b>					
General Fund-State 001-1	0	15,000	15,000	35,000	0
<b>Total \$</b>	0	15,000	15,000	35,000	0

*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:

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- ☒ 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.

Legislative Contact:	Phone:	Date: 02/01/2008
Agency Preparation: Stacy May	Phone: 360-236-3927	Date: 02/12/2008
Agency Approval: Patty Steele	Phone: 360-236-4530	Date: 02/13/2008
OFM Review: Brian Enslow	Phone: 360-902-0539	Date: 02/13/2008

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.

Section 6: Requires the Department of Health (DOH), with the assistance of the Department of Revenue (DOR) and the Office of Financial Management (OFM), to conduct a study of the consumption of moist snuff by youth. The study asks for information beginning with the year 2000 to present. DOH is required to submit a report by December 1, 2009.

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.

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.

Section 6: Directs DOH with the assistance of the DOR and the OFM to conduct a study of consumption of moist snuff by youth, from year 2000, to include information on: 1) types of products uses, 2) by what age group, and 3) how the products were acquired.

DOH currently only has data on youth prevalence rates of moist snuff for grades sixth, eighth, tenth, twelfth grade male and females. This indicates the total number of users of moist snuff in those age groups at any given time.

There is no known information available on types of products used by what age group and how these different age groups acquired the product.

DOH will establish a contract, which will provide research analysis and evaluation support for the agency. The contractor will seek the data required by the report and complete the study. Based on previous contracting for data collection and review, the total cost will be \$15,000 in fiscal year (FY) 2009.

In FY 2010, the contractor will provide the data analysis plan, actual analysis and complete the report for review by DOH, DOR and OFM prior to providing the report to the House of Representatives, Senate fiscal and health committees by December 1, 2009. Based on previous contracting for data analysis and report development, the total costs will be \$35,000 for FY 2010.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
A-Salaries & Wages					
B-Employee Benefits					
C-Personal Serv Contr		15,000	15,000	35,000	
E-Goods and Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency Fund Transfers					
N-Grants, Benefits Services					
P-Debt Service					
S-Interagency Reimburesement					
T-Intra-Agency Reimbursement					
<b>Total:</b>	\$0	\$15,000	\$15,000	\$35,000	\$0

## Part IV: Capital Budget Impact

## 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.*