

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2198 2S HB	<b>Title:</b> Medical marijuana/tax relief
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## Estimated Cash Receipts

Agency Name	2013-15		2015-17		2017-19	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(1,834,000)	(1,837,000)	(4,369,000)	(4,376,000)	(4,909,000)	(4,917,000)
<b>Total \$</b>	<b>(1,834,000)</b>	<b>(1,837,000)</b>	<b>(4,369,000)</b>	<b>(4,376,000)</b>	<b>(4,909,000)</b>	<b>(4,917,000)</b>

## Estimated Expenditures

NONE

## Estimated Capital Budget Impact

NONE

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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 37461

FNS029 Multi Agency rollup

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2198 2S HB	<b>Title:</b> Medical marijuana/tax relief	<b>Agency:</b> 014-Joint Leg. Audit & Review Committee
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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: Richelle Geiger	Phone: 360-786-7175	Date: 02/12/2014
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 02/13/2014
Agency Approval: John Woolley	Phone: 360 786-5184	Date: 02/13/2014
OFM Review: Shane Hamlin	Phone: (360) 902-0547	Date: 02/14/2014

## 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.*

2SHB 1298 – provides a sales and use tax exemption to qualifying patients of marijuana for medical use.

Sec. 1. New section

- (1) Establishes the Legislature's intent to provide a sales and use tax exemption to qualifying patients for purchases of marijuana for medical use when authorized by a health care professional.
- (2) (a) Establishes performance statement; (b) Categorizes tax preference as one to provide tax relief; (c) States Legislatures specific public policy objective is to provide qualifying patients with a sales and use tax exemption on purchases of marijuana for medical use when authorized by a health care professional; (d) To measure the effectiveness of the preference, JLARC must compare the actual fiscal impact to the estimated fiscal impact in the fiscal note.

Sec. 2. New section in chapter 82.08 RCW

- (1) Establishes a sales tax exemption with certain limitations for sales of usable marijuana or marijuana-infused products to qualifying patients or their designated provider.
- (2) The exemption only applies to purchases made from marijuana retail outlets authorized under chapter 35 69.50 RCW. Retailers selling tax exempt usable marijuana or marijuana-infused products must file tax returns electronically.
- (3) Marijuana retailers making exempt sales must maintain adequate records of such sales.
- (4) Department of Revenue must provide a separate reporting line on tax returns for the exempt sales.
- (5) Definitions for "designated provider," "qualified patient," "usable marijuana," and "marijuana-infused product."

Sec. 3. New section in chapter 82.12 RCW

- (1) Use of usable marijuana or marijuana-infused products by a qualifying patient or their designated provider obtained from an authorized marijuana retail outlet is exempt for use tax.
- (2) The conditions, limitations, and definitions in section 2 apply.

Sec. 4. Establishes effective date of July 1, 2014.

Sec. 5. Establishes expiration date of July 1, 2024.

### 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.*

Because the tax preference expires July 1, 2024, Joint Legislative Audit and Review Committee (JLARC) staff assume they will review the tax preference in 2022.

JLARC staff will confer with the Department of Revenue (the Department) prior to July 1, 2014, to ensure tax return changes required by the bill are made.

JLARC staff will continue to keep in contact with the Department to ensure appropriate data is collected in subsequent years.

JLARC staff assume they will conduct the work required by this bill within the resources currently provided by the Legislature to conduct tax preference performance reviews, as directed by Chapter 43.136 RCW.

### **Part III: Expenditure Detail**

### **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.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2198 2S HB	<b>Title:</b> Medical marijuana/tax relief	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Account	FY 2014	FY 2015	2013-15	2015-17	2017-19
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax		(1,834,000)	(1,834,000)	(4,369,000)	(4,909,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		(3,000)	(3,000)	(7,000)	(8,000)
<b>Total \$</b>		(1,837,000)	(1,837,000)	(4,376,000)	(4,917,000)

### Estimated Expenditures from:

NONE

### Estimated Capital Budget Impact:

NONE

*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:	Richelle Geiger	Phone: 360-786-7175	Date: 02/12/2014
Agency Preparation:	Steve Smith	Phone: 360-534-1518	Date: 02/13/2014
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 02/13/2014
OFM Review:	Kathy Cody	Phone: (360) 902-9822	Date: 02/13/2014

Request # 2198-5-1

## 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 language in draft legislation 2SHB 2198, 2014 Legislative Session.

Under current law the sale of marijuana and marijuana-infused products for medical purposes is subject to retail sales and use taxes. This bill provides sales and use tax exemptions when these products are sold to qualifying patients, or to their designated providers, by retail outlets authorized under chapter 69.50 RCW.

The bill also requires that:

- retail outlets selling exempt marijuana products must file electronically,
- these retailers must maintain records of qualifying patient authorizations provided by the purchaser,
- the Department of Revenue (Department) must provide a separate reporting line for these exempted amounts, and
- the Joint Legislative Audit and Review Committee must evaluate the actual fiscal impact of this sales and use tax exemption compared to the estimated impact in this fiscal note.

This act takes effect July 1, 2014 and expires July 1, 2024.

### 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

- At present there are 117 medical marijuana dispensaries remitting sales taxes annually, as identified by the Department.
- This sales tax amount is projected to grow 6 percent annually.
- The 117 retail outlets currently selling medical marijuana products will continue to sell medical marijuana and meet the bill's requirements to file taxes electronically and maintain records of qualifying patient authorizations.
- All current patients meet the requirements of a qualifying patient.

#### DATA SOURCES

Department's excise tax data

#### REVENUE ESTIMATES

State sales tax revenues will decline \$1.8 million in the 2013-15 Biennium and local sales tax revenues will decline \$693,000 in the 2013-15 Biennium.

#### TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2014 -	(\$ 0)
FY 2015 -	(\$ 1,837)
FY 2016 -	(\$ 2,124)
FY 2017 -	(\$ 2,252)
FY 2018 -	(\$ 2,387)
FY 2019 -	(\$ 2,530)

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

FY 2014 -	(\$ 0)
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FY 2015 - (\$ 693)  
FY 2016 - (\$ 802)  
FY 2017 - (\$ 850)  
FY 2018 - (\$ 901)  
FY 2019 - (\$ 955)

## **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.*

The Department will not incur any costs with the implementation of this legislation.

## **Part III: Expenditure Detail**

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

NONE

## **Part IV: Capital Budget Impact**

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods*

NONE

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.*

No rule-making required.