

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1933 HB	<b>Title:</b> Cannabis local gov. tax
-----------------------------	---------------------------------------

## Estimated Cash Receipts

NONE

Agency Name	2021-23		2023-25		2025-27	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Total						
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					

## Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

## Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

# Estimated Capital Budget Breakout

NONE

<b>Prepared by:</b> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Final 1/24/2022
---------------------------------------	---------------------------------	---

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1933 HB	<b>Title:</b> Cannabis local gov. tax	<b>Agency:</b> 140-Department of Revenue
-----------------------------	---------------------------------------	--

## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**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: Rachelle Harris	Phone: 360-786-7137	Date: 01/20/2022
Agency Preparation: Van Huynh	Phone: 360-534-1512	Date: 01/23/2022
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 01/23/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/23/2022

Request # 1933-1-1

## 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.*

#### CURRENT LAW:

Not applicable.

#### PROPOSAL:

This bill authorizes smaller local governments with a scarcity of manufacturing and industrial lands to establish a tax on cannabis producers and processors.

The governing body of a county, city, or town with a scarcity of manufacturing and industrial lands may by resolution or ordinance impose an excise tax on marijuana producers and processors licensed under RCW 69.50.325. The tax may be imposed on producers and processors operating within their jurisdiction. The excise tax rate must be equivalent to one percent, or less, of the marijuana producer, processor, or producer and processor's gross receipts from sales of marijuana and marijuana products authorized in RCW 69.50.

Only counties, cities, and towns that meet the following requirements may establish the tax :

- The population of the county, city, or town must be no more than 50,000 based on the most recent published estimates of the Office of Financial Management as of January 1, 2022.
- The county, city, or town's zoning or land use ordinances must permit licensed marijuana producers and processors operating in accordance with RCW 69.50 to be sited and operate within the jurisdiction.
- The county, city, or town must have a scarcity of manufacturing and industrial lands evidenced by the county, city, or town demonstrating that it meets at least one of the following criteria :
  - No area within the county, city, or town is designated as a manufacturing and industrial center or employment center by a regional planning authority;
  - Reviews or evaluations conducted under RCW 36.70A.215 indicate the amount of industrial land in the jurisdiction is in the bottom quartile with respect to the amount of industrial land in all jurisdictions for which data obtained in accordance with RCW 36.70A.215 is available; or
  - The percentage of total employment within the county, city, or town classified as industrial employment is no greater than 20 percent of total employment.

#### EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session in which it is enacted.

### 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.*

This bill does not impact taxes or fees administered by the Department of Revenue.

### 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*

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

Request # 1933-1-1

## Part III: Expenditure Detail

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

NONE

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

NONE

### III. C - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

### IV. B - Expenditures by Object Or Purpose

NONE

### IV. C - Capital Budget Breakout

*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

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1933 HB	<b>Title:</b> Cannabis local gov. tax	<b>Agency:</b> 195-Liquor and Cannabis Board
-----------------------------	---------------------------------------	--

## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating 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: Rachele Harris	Phone: 360-786-7137	Date: 01/20/2022
Agency Preparation: Colin O Neill	Phone: (360) 522-2281	Date: 01/21/2022
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/21/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/21/2022

## 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.*

This bill does not have a fiscal impact to the agency as there is no requirement to provide any data to local governments and no additional enforcement or licensing duties outlined.

Sect 1(1): Local jurisdictions with a “scarcity of manufacturing and industrial lands” as described in subsection 2(c) may by resolution or ordinance impose an excise tax on cannabis producers and processors operating within their jurisdiction. The excise tax rate must be equivalent to one percent or less of the licensee’s gross receipts from sales of cannabis and cannabis products.

Sect 1(2): A local jurisdiction seeking to impose a local cannabis tax must meet the following requirements :

- a) The population of the local jurisdiction must be no more than 50,000 based on the most recent published OFM estimates as of January 1, 2022.
- b) The local jurisdiction's zoning or land use ordinances must permit licensed cannabis producers and processors to be sited and operate within the jurisdiction.
- c) The local jurisdiction must have a “scarcity of manufacturing and industrial lands” by demonstrating that it meets at least one of the criteria outlined in this subsection 2 (c).

Sect 1(3): A county ordinance adopted under this section does not apply to cannabis producers and processors located within an incorporated area within the county.

### 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

### III. A - Operating Budget Expenditures

NONE

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

NONE

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

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

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

NONE

**IV. D - Capital FTE Detail:** *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

**Part V: New Rule Making Required**



# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 1933 HB	<b>Title:</b> Cannabis local gov. tax
-----------------------------	---------------------------------------

## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- Cities: eligible cities and towns: revenue increase due to new local tax, one-time expenditure increase to pass a new ordinance
- Counties: eligible counties: revenue increase due to new local tax, one-time expenditure increase to pass a new ordinance
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: ordinance costs
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: it is unknown which cities, towns, and counties would be eligible for this tax

### Estimated revenue impacts to:

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

### Estimated expenditure impacts to:

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

## Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 01/24/2022
Leg. Committee Contact: Rachele Harris	Phone: 360-786-7137	Date: 01/20/2022
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/24/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/24/2022

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Provide a clear, succinct description of the bill with an emphasis on how it impacts local government .*

This bill authorizes smaller local governments with a scarcity of manufacturing and industrial lands to establish a tax on cannabis producers and processors.

Only counties, cities, and towns that meet the following requirements may establish the tax:

- The population of the county, city, or town must be no more than 50,000 based on the most recent published estimates of the Office of Financial Management as of January 1, 2022.
- The county, city, or town's zoning or land use ordinances must permit licensed marijuana producers and processors operating in accordance with RCW 69.50 to be sited and operate within the jurisdiction.
- The county, city, or town must have a scarcity of manufacturing and industrial lands evidenced by the county , city, or town demonstrating that it meets at least one of the following criteria:
  - No area within the county, city, or town is designated as a manufacturing and industrial center or employment center by a regional planning authority;
  - Reviews or evaluations conducted under RCW 36.70A.215 indicate the amount of industrial land in the jurisdiction is in the bottom quartile with respect to the amount of industrial land in all jurisdictions for which data obtained in accordance with RCW 36.70A.215 is available; or
  - The percentage of total employment within the county, city, or town classified as industrial employment is no greater than 20 percent of total employment.

### **B. SUMMARY OF EXPENDITURE IMPACTS**

*Briefly describe and quantify the expenditure impacts of the legislation on local governments , identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.*

Local governments may choose to adopt a tax on cannabis producers and processors , as prescribed in this legislation, through local ordinance or resolution. The typical cost to adopt an ordinance per jurisdiction ranges from \$568 for a simple ordinance to \$9 ,080 for a complex ordinance. These costs include costs for draft ordinances, advisory commission meeting and recommendation, finalized ordinance, publication of ordinance, and general public information. However, the number of jurisdictions that would adopt the resolution or ordinance, as prescribed in this legislation, is unknown and the costs are indeterminate .

### **C. SUMMARY OF REVENUE IMPACTS**

*Briefly describe and quantify the revenue impacts of the legislation on local governments , identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.*

This bill would have a significant revenue increase for eligible local governments . It is unknown how many (or which) local governments would be eligible for this new excise tax .

This bill would create an excise tax imposed on marijuana producers and processors in certain eligible jurisdictions . The excise tax rate mu be equivalent to one percent, or less, of the marijuana producer, processor, or producer and processor's gross receipts from sales of marijuana and marijuana products .

According to the Washington State Dept. of Revenue's "Marijuana Sales Tax Table," the gross total retail value of marijuana and marijuana products in fiscal year 2020 was \$1.4 billion dollars. In the first three quarters of fiscal year 2021 it was \$1.1 billion dollars. One percent o this \$1.4 billion is \$14 million dollars.

It is unknown what portion of the gross retail value of marijuana and marijuana products is sold by Washington producers and processors .

It is unknown what portion of all Washington producers and processors are located within eligible jurisdictions . Therefore, it is indeterminate how much revenue this legislation would create for local governments .

#### **SOURCES**

Washington State Dept. of Revenue  
Liquor and Cannabis Board