

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1453 HB	<b>Title:</b> Medical cannabis/tax
-----------------------------	------------------------------------

## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Liquor and Cannabis Board	0	0	(1,602)	0	0	(1,602)	0	0	(1,602)
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>(1,602)</b>	<b>0</b>	<b>0</b>	<b>(1,602)</b>	<b>0</b>	<b>0</b>	<b>(1,602)</b>

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	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	.2	0	0	49,142	.2	0	0	49,142	.2	0	0	49,142
<b>Total \$</b>	<b>0.2</b>	<b>0</b>	<b>0</b>	<b>49,142</b>	<b>0.2</b>	<b>0</b>	<b>0</b>	<b>49,142</b>	<b>0.2</b>	<b>0</b>	<b>0</b>	<b>49,142</b>

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	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>

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Amy Hatfield, OFM	<b>Phone:</b> (360) 280-7584	<b>Date Published:</b> Final
---------------------------------------	---------------------------------	---------------------------------

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1453 HB	<b>Title:</b> Medical cannabis/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: Peter Clodfelter	Phone: 60-786-7127	Date: 01/23/2023
Agency Preparation: Van Huynh	Phone: 60-534-1512	Date: 01/23/2023
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 01/23/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/23/2023

Request # 1453-1-1

## Part II: Narrative Explanation

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

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

#### CURRENT LAW:

The law imposes a cannabis excise tax of 37% of the selling price on each retail sale.

#### PROPOSAL:

This bill provides an exemption from the cannabis excise tax for medical cannabis patients.

#### EFFECTIVE DATE:

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

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

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

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished 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

**III. B - Detail:** *FTEs listed by classification and corresponding annual compensation. Totals 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**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**Part V: New Rule Making Required**

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1453 HB	<b>Title:</b> Medical cannabis/tax	<b>Agency:</b> 195-Liquor and Cannabis Board
-----------------------------	------------------------------------	--

## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Dedicated Cannabis Account-State 315-1	(801)	(801)	(1,602)	(1,602)	(1,602)
<b>Total \$</b>	(801)	(801)	(1,602)	(1,602)	(1,602)

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2	0.2	0.2	0.2	0.2
<b>Account</b>					
Dedicated Cannabis Account-State 315-1	24,571	24,571	49,142	49,142	49,142
<b>Total \$</b>	24,571	24,571	49,142	49,142	49,142

### 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: Peter Clodfelter	Phone: 360-786-7127	Date: 01/23/2023
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 01/24/2023
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/24/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/24/2023

## Part II: Narrative Explanation

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

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

Section 1(2):

(a) The tax levied by RCW 69.50.535 (37% cannabis excise tax) does not apply to sales by a cannabis retailer with a medical cannabis endorsement to qualifying patients or designated providers who have been issued a recognition card, of cannabis concentrates, useable cannabis, or cannabis-infused products, identified by the Department of Health as a compliant cannabis product in chapter 246-70 WAC and tested to the standards in WAC 246-70-040.

(b) Each seller making exempt sales under this subsection (2) must maintain information establishing eligibility for the exemption in the form and manner required by the board.

(c) The board must provide a separate tax reporting line on the excise tax form for exemption amounts claimed under this subsection (2).

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

This bill would exempt qualifying patients, or their designated providers, that have been issued a recognition card, from the 37% cannabis excise tax on purchases of Department of Health (DOH) compliant cannabis products (as defined in WAC 246-70), when purchased at a cannabis retailer with a medical cannabis endorsement.

Based on data from the Liquor and Cannabis Board's ("Board") Cannabis Central Reporting System ("CCRS"), the cannabis sales that were sales of DOH compliant cannabis products to recognition cardholders was \$541 during the 4th quarter of 2022 (Sept-Dec 2022). Extrapolating that out to a year's worth of sales would equal \$2,164 in taxable sales that met the criteria in the bill. Applying the 37% tax to these sales comes up with an estimated \$801 per year in cannabis excise tax that would be lost under this bill.

The Board realizes that the amount exempted has the potential to increase as cannabis processors may be incentivized to bring new products to the market and more patients may be incentivized to obtain a recognition card and register in the database for the express purpose of benefitting from the excise tax exemption. This would in turn increase the revenue loss to the state. However, the Board makes no assumption regarding a potential increase in sales of DOH compliant products to registered cardholders or their designated provider, or the resulting increase in revenue loss.

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

ENFORCEMENT DIVISION:

The Washington State Liquor and Cannabis Board ("Board") keeps detailed statistics on all of its enforcement activities and tracks this activity using a unit of measure called a Field Increment (FI). All direct enforcement activities such as premise checks, inspections and investigations are tracked to determine how many FI's are needed to accomplish each activity. Each FI is equivalent to 1 /10th of an hour (6 minutes). For example, if a tavern premise check takes 2 FI's and two officers, it is anticipated that one check will consume 4 FI's. Using historical data to factor out indirect activities such as driving time, training, office time and leave, it has been determined that officers are available for an average of 4,220 FI's each year.

Please see the attached "1453 HB Medical Cannabis Tax Enforcement Field Increment Calculator.pdf" for the workload calculations.

Based on 478 cannabis retailers, audits, complaint investigations and support and education would be conducted by the Enforcement Division requiring:

0.2 FTE LCB Enforcement Officer 2 - \$24,571/yr (\$21,399 salary/benefits, \$3,172 in associated costs).

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
315-1	Dedicated Cannabis Account	State	24,571	24,571	49,142	49,142	49,142
<b>Total \$</b>			24,571	24,571	49,142	49,142	49,142

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2	0.2	0.2	0.2	0.2
A-Salaries and Wages	15,406	15,406	30,812	30,812	30,812
B-Employee Benefits	5,993	5,993	11,986	11,986	11,986
C-Professional Service Contracts					
E-Goods and Other Services	872	872	1,744	1,744	1,744
G-Travel	2,232	2,232	4,464	4,464	4,464
J-Capital Outlays	68	68	136	136	136
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	24,571	24,571	49,142	49,142	49,142

#### 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*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
LCB Enforcement Officer 2	77,028	0.2	0.2	0.2	0.2	0.2
<b>Total FTEs</b>		0.2	0.2	0.2	0.2	0.2

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

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Enforcement Division (060)	24,571	24,571	49,142	49,142	49,142
<b>Total \$</b>	24,571	24,571	49,142	49,142	49,142

### Part IV: Capital Budget Impact

#### IV. A - Capital Budget Expenditures

NONE

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

NONE

#### IV. C - Capital Budget Breakout

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

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

NONE

## **Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*



**Enforcement Field Increment (FI) Calculator**

**1453 HB: "Medical Cannabis/Tax"**

(annual cost per year ongoing)

Event	# of events	Time Factor	Staffing Factor	FI Total	Officer	Consultant
Cannabis Tax Audit	12	10	1	120	120	0
License Support and Education	72	7	1.3	652	652	
Complaint Investigations Cannabis	10	20	1.3	249	249	

Factors	Values
Retail locations	478
Cannabis Tax Audit	2.5%
License Support and Education	15%
Complaint Investigations Cannabis	2%

<b>Total FI's</b>	<b>1,021</b>	<b>1,021</b>	<b>0</b>
<b>Total Field Increments per FTE</b>	4,220	4,220	4,220
<b>FTE's required</b>	0.24	0.24	0.00
<b>Round</b>	<b>0.20</b>	<b>0.20</b>	<b>0.00</b>