

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5259 SB	<b>Title:</b> Product theft
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## 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
Department of Revenue	(9,800,000)	(9,800,000)	(9,800,000)	(16,800,000)	(16,800,000)	(16,800,000)	(16,800,000)	(16,800,000)	(16,800,000)
Liquor and Cannabis Board	Non-zero but indeterminate cost and/or savings. Please see discussion.								
<b>Total \$</b>	<b>(9,800,000)</b>	<b>(9,800,000)</b>	<b>(9,800,000)</b>	<b>(16,800,000)</b>	<b>(16,800,000)</b>	<b>(16,800,000)</b>	<b>(16,800,000)</b>	<b>(16,800,000)</b>	<b>(16,800,000)</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
Office of Attorney General	1.9	546,000	546,000	546,000	1.9	546,000	546,000	546,000	1.9	546,000	546,000	546,000
Department of Revenue	6.3	1,278,800	1,278,800	1,278,800	6.1	1,029,900	1,029,900	1,029,900	5.8	982,000	982,000	982,000
Liquor and Cannabis Board	.0	0	0	0	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>8.2</b>	<b>1,824,800</b>	<b>1,824,800</b>	<b>1,824,800</b>	<b>8.0</b>	<b>1,575,900</b>	<b>1,575,900</b>	<b>1,575,900</b>	<b>7.7</b>	<b>1,528,000</b>	<b>1,528,000</b>	<b>1,528,000</b>

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
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

**Prepared by:** Cheri Keller, OFM

**Phone:**  
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**Date Published:**  
Final

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5259 SB	<b>Title:</b> Product theft	<b>Agency:</b> 100-Office of Attorney General
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.9	1.9	1.9	1.9	1.9
<b>Account</b>					
General Fund-State      001-1	273,000	273,000	546,000	546,000	546,000
<b>Total \$</b>	273,000	273,000	546,000	546,000	546,000

### 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: Jarrett Sacks	Phone: 360-786-7448	Date: 01/18/2023
Agency Preparation: Chad Standifer	Phone: 3605863650	Date: 01/24/2023
Agency Approval: Edd Giger	Phone: 360-586-2104	Date: 01/24/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	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: Findings.

Section 2: New Section – Establishes an organized retail theft task force to improve coordination and collaboration among law enforcement. Members appointed by the Attorney General’s Office (AGO). Task force to be staffed by the AGO. Task force to work with mercantile establishments and the Liquor and Cannabis Board (LCB). Mercantile establishments and LCB retail licensees must report theft incidents to the task force.

Section 3: Adds a section to RCW 82.04 – Authorizing a tax credit for physical security improvements to mercantile establishments.

Section 4: Amends RCW 69.50.535 – Adjusting downward the cannabis excise tax relating to money spent on certain physical security improvements.

Section 5: New Section – Making it an unfair practice for a retail establishment with 50 or more employees to discipline or terminate from employment individuals, or discriminate against them based on any person’s intervention within a mercantile establishment to question or investigate potential theft. Provided the person engaged in a reasonable manner and provided that such engagement by the person was for a “reasonable time” and the person has “reasonable grounds” to believe theft occurred, as those two terms are defined in this section. Employer in violation of this section is liable in a civil action for actual or statutory damages of \$10,000 (whichever is more), and reasonable attorneys’ fees and costs.

Section 6: Severability clause.

Section 7: Provides that sections 1, 2, and 5 constitute a new chapter in RCW 19.

Section 8: Provides an immediate effective date.

### 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.*

The Attorney General’s Office (AGO) Criminal Justice Division (CRJ) and the Administration Division (ADM) activities are funded with General Fund-State dollars. No cash receipt impact. There is no client agency to bill for legal services.

### 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.*

Attorney General’s Office (AGO) Agency Assumptions:

This bill is assumed to be effective immediately.

Location of staffing is assumed to be in a Seattle office building.

Total workload impact in this request includes standard assumption costs for goods & services, travel, and capital outlays for all FTE identified.

Agency administration support FTE are included in the tables, for every 1.0 Assistant Attorney General FTE (AAG), the AGO includes 0.5 FTE for a Legal Assistant 3 (LA) and 0.25 FTE of a Management Analyst 5 (MA). The MA is used as a representative classification.

#### Assumptions for the AGO Criminal Justice Division (CRJ):

If this legislation is enacted it would require 0.5 FTE AAG to assist in the organized retail theft task force this bill creates. The new task force would be required to assist associations representing mercantile establishments on collecting and aggregating data on incidents of organized retail theft. The task force would hold regular meetings. CRJ would take an active role in this task force as the subject matter is criminal in nature. The 0.5 FTE AAG would assist with task force duties and provide consultation on criminal law and procedure.

CRJ total FTE workload impact for Seattle rate:

FY 2024: \$135,000 for 0.5 AAG and 0.25 LA, and each FY thereafter.

#### Assumptions for the AGO Administration Division (ADM):

The AGO assumes new costs for ADM activities will be distributed among all legal services client agencies following the enactment of this bill. Expenditures of FIS activities are billed as part of AGO overhead which are billed to all clients proportionate to service levels provided. It is the AGO standard practice to spread these type of costs pro-rata through the Legal Services component of the Central Service Model (CSM). Not including these expenditures in the Legal Services component of the CSM is putting the Legal Services Revolving Account out of balance.

ADM assumes 1.0 FTE Policy Analyst (Exempt). New work includes, but is not limited to:

1. Appoint to the task force (as well as any outreach necessary to meet legislative requirements for these appointments).
2. Facilitate task force meetings.
3. Ongoing outreach and communications with external stakeholders as needed.
4. Ongoing advice to the bidding process.
5. Ongoing data collection coordination with the Liquor and Cannabis Board (LCB).
6. Ongoing data collection coordination with mercantile establishments.
7. Receipt of incidents of organized retail theft.

ADM total FTE workload impact for Seattle rate:

FY 2024: \$138,000 for 1.0 FTE Policy Analyst (Exempt), and each FY thereafter.

The enactment of this bill will not impact the provision of legal services by AGO Government Compliance and Enforcement Division (GCE) Division to LCB. LCB assumes that it will not engage in rulemaking and appeals of excise tax reduction decisions will be handled as brief adjudicative proceedings. Therefore, costs are not included in this request.

The enactment of this bill will not impact the provision of legal services by AGO Licensing and Administrative Law Division (LAL) Division to LCB. LCB does not project the need for any rule-making in relation to the enactment of this bill, and projects that any appeals of tax reduction decisions will be made through the brief adjudicative process, with limited if any, requirement for final orders or additional investigation. Therefore, costs are not included in this request.

The enactment of this bill will not impact the provision of legal services by AGO Revenue and Finance (REV) Division to the Department of Revenue because Section 3 creates a business and occupation tax credit, which is unlikely to generate any advice requests or result in any litigation. Therefore, costs are not included in this request.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	273,000	273,000	546,000	546,000	546,000
<b>Total \$</b>			273,000	273,000	546,000	546,000	546,000

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.9	1.9	1.9	1.9	1.9
A-Salaries and Wages	185,000	185,000	370,000	370,000	370,000
B-Employee Benefits	58,000	58,000	116,000	116,000	116,000
E-Goods and Other Services	29,000	29,000	58,000	58,000	58,000
G-Travel	1,000	1,000	2,000	2,000	2,000
<b>Total \$</b>	273,000	273,000	546,000	546,000	546,000

### 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
Assistant Attorney General-Seattle	124,635	0.5	0.5	0.5	0.5	0.5
Legal Assistant 3-Seattle	67,044	0.3	0.3	0.3	0.3	0.3
Management Analyst 5	91,524	0.1	0.1	0.1	0.1	0.1
Policy Analyst (Exempt)	95,000	1.0	1.0	1.0	1.0	1.0
<b>Total FTEs</b>		1.9	1.9	1.9	1.9	1.9

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

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Administration Division (ADM)	138,000	138,000	276,000	276,000	276,000
Criminal Justice Division (CRJ)	135,000	135,000	270,000	270,000	270,000
<b>Total \$</b>	273,000	273,000	546,000	546,000	546,000

## 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.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5259 SB	<b>Title:</b> Product theft	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(1,400,000)	(8,400,000)	(9,800,000)	(16,800,000)	(16,800,000)
<b>Total \$</b>	(1,400,000)	(8,400,000)	(9,800,000)	(16,800,000)	(16,800,000)

### Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.7	7.8	6.3	6.1	5.8
GF-STATE-State 001-1	584,300	694,500	1,278,800	1,029,900	982,000
<b>Total \$</b>	584,300	694,500	1,278,800	1,029,900	982,000

### 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: Jarrett Sacks	Phone: 60-786-7448	Date: 01/18/2023
Agency Preparation: Van Huynh	Phone: 60-534-1512	Date: 01/25/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/25/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/25/2023

Request # 5259-1-1

## 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:

There is no business and occupation (B&O) tax credit for the amount spent by a business on physical security improvements to their mercantile establishment.

#### PROPOSAL:

This bill creates a B&O tax credit for the amount spent by a business on physical security improvements to their mercantile establishment. The credit equals the amount spent.

The credit may be claimed on physical security improvements made by the business in the previous four quarters. A business' credit cannot exceed \$3,000 in each calendar year.

"Mercantile establishment" is a place of business for retailing goods.

"Physical security improvements" means physical improvements, additions, or other changes to a mercantile establishment for the purposes of preventing the theft of merchandise including, but not limited to:

- Security cameras;
- Antitheft mirrors;
- Antitheft signage;
- Merchandising security equipment such as secure stands or mounts, locking display cases or display locks, electronic article surveillance, and storefront crash barriers or safety bollards.

#### EFFECTIVE DATE:

This bill contains an emergency clause and takes effect immediately upon the Governor's approval. However, due to the time it will take the department to program a complex new credit with a per-taxpayer cap, the department is unable to fully implement the bill and provide taxpayers with the ability to claim this credit until April 1, 2024.

### 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.*

#### ASSUMPTIONS

- Currently, many retailers already have security equipment.
- Annually, 15% of retail businesses buy security equipment.
- A business spends about \$3,000 on security equipment.
- This bill will be fully implemented with the credit available to taxpayers as of April 1, 2024.

#### DATA SOURCES

- Department of Revenue, excise tax data
- Various sources on business security equipment

#### REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$1.4 million in the two months of impacted collections in fiscal year 2024, and by \$8.4 million in fiscal year 2025, the first full year of impacted collections.

#### TOTAL REVENUE IMPACT:

Request # 5259-1-1



State Government (cash basis, \$000):

FY 2024 - \$ (1,400)  
FY 2025 - \$ (8,400)  
FY 2026 - \$ (8,400)  
FY 2027 - \$ (8,400)  
FY 2028 - \$ (8,400)  
FY 2029 - \$ (8,400)

Local Government, if applicable (cash basis, \$000): None

## 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.*

### ASSUMPTIONS:

This estimate affects 61,000 taxpayers.

### FIRST YEAR COSTS:

The department will incur total costs of \$584,300 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 4.7 FTEs.

- Answer phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants/CPAs.
- Create special notice and update relevant information on the department’s website.
- Respond to letter ruling requests and email inquiries.
- Set up, program, and test computer systems for a new credit type.
- Resolve corrections to account, out of balance, and amended returns; prepare refunds and assessments; and respond to secure messages, correspondence, and telephone questions.
- Correspond with taxpayers impacted by reporting changes.
- Work the credit program.
- Test and verify computer systems for new credit.
- Hear administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for the review of a disputed action by the department.

Object Costs - \$134,500.

- Postage.
- Printing.
- Contract computer system programming.

### SECOND YEAR COSTS:

The department will incur total costs of \$694,500 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 7.8 FTEs.

- Answer additional phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants/CPAs.
- Respond to letter ruling requests and email inquiries.
- Resolve corrections to accounts, out of balance, and amended returns; prepare refunds and assessments; and respond to secure messages, correspondence, and telephone questions.
- Correspond with taxpayers impacted by reporting changes.
- Work the credit program.

Request # 5259-1-1

- Hear additional administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for the review of a disputed action by the department.

- Perform field audits.

Object Costs - \$800.

- Printing.

- Postage.

**ONGOING COSTS:**

Ongoing costs for the 2025-27 biennium equal \$1,029,900 and include similar activities described in the second-year costs. Time and effort equate to 6.4 FTEs in fiscal year 2026 and 5.8 FTEs in fiscal year 2027.

**Part III: Expenditure Detail**

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	4.7	7.8	6.3	6.1	5.8
A-Salaries and Wages	259,400	410,700	670,100	642,700	613,000
B-Employee Benefits	85,600	135,500	221,100	212,000	202,200
C-Professional Service Contracts	132,000		132,000		
E-Goods and Other Services	74,400	103,200	177,600	131,100	124,600
G-Travel		3,200	3,200	6,400	6,400
J-Capital Outlays	32,900	41,900	74,800	37,700	35,800
<b>Total \$</b>	<b>\$584,300</b>	<b>\$694,500</b>	<b>\$1,278,800</b>	<b>\$1,029,900</b>	<b>\$982,000</b>

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EXCISE TAX EX 1	44,808	1.8	3.6	2.7	2.7	2.5
EXCISE TAX EX 2	55,872	0.9	1.8	1.4	1.4	1.3
EXCISE TAX EX 3	61,632	0.4	0.9	0.7	0.7	0.6
IT SYS ADM-JOURNEY	92,844	0.1		0.1		
MGMT ANALYST4	73,260	0.5		0.3		
REVENUE AUDITOR 2	61,632		0.9	0.5	0.9	0.9
TAX INFO SPEC 1	44,808	0.6	0.3	0.5	0.3	0.3
TAX POLICY SP 2	75,120	0.3	0.1	0.2	0.1	0.1
TAX POLICY SP 3	85,020	0.1	0.2	0.2	0.1	0.1
<b>Total FTEs</b>		<b>4.7</b>	<b>7.8</b>	<b>6.3</b>	<b>6.1</b>	<b>5.8</b>

**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> 5259 SB	<b>Title:</b> Product theft	<b>Agency:</b> 195-Liquor and Cannabis Board
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

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

**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.

<b>Legislative Contact:</b> Jarrett Sacks	<b>Phone:</b> 360-786-7448	<b>Date:</b> 01/18/2023
<b>Agency Preparation:</b> Colin O Neill	<b>Phone:</b> (360) 664-4552	<b>Date:</b> 01/23/2023
<b>Agency Approval:</b> Aaron Hanson	<b>Phone:</b> 360-664-1701	<b>Date:</b> 01/23/2023
<b>OFM Review:</b> Amy Hatfield	<b>Phone:</b> (360) 280-7584	<b>Date:</b> 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 2:

- (1) The organized retail theft task force is established to improve coordination and collaboration among law enforcement agencies.
- (2) The attorney general must appoint members on the task force and may increase or decrease the size of the task force as deemed necessary by the attorney general.
- (5) The task force must work with the liquor and cannabis board and their retail licensees to collect and aggregate data on significant incidents of theft, burglary, and robbery. Liquor and cannabis board retail licensees must report significant incidents of theft, burglary, and robbery to the task force.

Section 4: (RCW 69.50.535)

(1)(b)(i) The 37% cannabis excise tax is reduced to 32 percent for cannabis retailers that spend \$3,000 or more for physical security improvements to prevent theft at any single cannabis retail establishment in a calendar year. The reduced rate begins the month after the \$3,000 threshold is met and expires after 12 months. The reduced tax rate established in this section only applies to cannabis retail stores at which the physical security improvements were implemented. The reduced tax may be applied to multiple cannabis retail stores owned by the same person if the \$3,000 threshold is met at each individual retail store. The reduced tax rate established in this subsection (1)(b)(i) may only be claimed once for each cannabis retail establishment.

1(b)(ii) For the purposes of this subsection (1)(b), "physical security improvements" may include, but are not limited to: Security cameras, antitheft mirrors, antitheft signage, merchandising security equipment such as secure stands or mounts, locking display cases or display locks, electronic article surveillance, and storefront crash barriers or safety bollards.

Section 8: This act takes effect immediately.

### 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 reduce the 37% cannabis excise tax to 32% for cannabis retailers that spend \$3,000 or more for physical security improvements to prevent theft at any single cannabis retail establishment in a calendar year. The reduced rate begins the month after the \$3,000 threshold is met and expires after 12 months. The reduced tax rate established in this section only applies to cannabis retail stores at which the physical security improvements were implemented. The reduced tax rate may be applied to multiple cannabis retail stores owned by the same person if the \$3,000 threshold is met at each individual retail store. The reduced tax rate established in this bill may only be claimed once for each cannabis retail establishment.

However, the cannabis excise tax is collected from the customer, the retailer only remits it. Lowering the tax rate to 32% does not benefit the retailer except to make their products cheaper to the customer. The only way the retailer recoups the \$3,000 spent on security upgrades is to increase their sales volume to the point that their net profit exceeds the \$3,000.

Given that the retailer does not directly benefit from the tax reduction, the agency doesn't have an assumption on how many retailers would choose to participate in this, and thus any impact to cash receipts from reduced taxes is indeterminate.

### 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.*

No fiscal impact to the agency.

**FINANCE DIVISION:**

- The Tax and Fee unit would be able to absorb additional tracking of licensees who qualify for reduced tax rate for 12 months, one time only.
- The Great Plains finance system used by the agency does not calculate taxes and no changes would be required.
- The new 32% rate will be added to the unit's verification spreadsheet.
- A new reporting form in Excel will be developed to accommodate the new temporary rate.

**ENFORCEMENT DIVISION:**

This bill will require changes to the Electronic Notebook to capture reported theft data. The agency can make the changes needed to the Enforcement Notebook with the existing vendor contract with no additional cost.

The additional work to verify that cannabis retailers have spent \$3,000 for physical security improvements can be completed with current staff levels. This is based on the assumptions that the tax break is a onetime event and not a continual 12 month renewal for tax breaks.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

NONE

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

NONE

**III. C - Operating FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals 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**

*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.*