

Individual State Agency Fiscal Note

Bill Number: 1595 HB	Title: Cannabis excise tax	Agency: 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:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.5	0.5	0.5	0.5
Account					
Dedicated Cannabis Account-State 315-1	48,312	42,207	90,519	84,414	84,414
Total \$	48,312	42,207	90,519	84,414	84,414

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.

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Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 02/02/2023
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/02/2023

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.

Subsection 1(a) modifies the cannabis excise tax rate. The existing 37% rate on all products is replaced by a tiered structure as shown below:

(i) For useable cannabis and cannabis concentrates with a THC concentration no greater than 20 percent, the tax is equal to 25 percent of the selling price on each retail sale in this state;

(ii) For useable cannabis and cannabis concentrates with a THC concentration greater than 20 percent but no greater than 50 percent, the tax is equal to 35 percent of the selling price on each retail sale in this state;

(iii) For useable cannabis and cannabis concentrates with a THC concentration greater than 50 percent, the tax is equal to 40 percent of the selling price on each retail sale in this state;

(iv) For cannabis-infused edible products in solid or liquid form with no greater than four milligrams of total tetrahydrocannabinol included per serving in the container, the tax is equal to 25 percent of the selling price on each retail sale in this state; and

(v) For cannabis-infused edible products in solid and liquid form with greater than four milligrams of total tetrahydrocannabinol included per serving in the container, the tax is equal to 35 percent of the selling price on each retail sale in this state.

Subsection 7: The board shall collect data related to sales of cannabis products sold in this state subject to tax under subsection (1) of this section to include how many individual cannabis products were sold for each product type and tax rate, how much cannabis product was sold for each product type and tax rate, and how much cannabis excise tax was collected under each of subsection (1)(a)(i) through (v) of this section. The board may consult with other agencies as necessary.

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.

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(v) For cannabis-infused edible products in solid and liquid form with greater than four milligrams of total tetrahydrocannabinol included per serving in the container, the tax is equal to 35 percent of the selling price on each retail sale in this state.

The agency's Cannabis Central Reporting System (CCRS) has the capability for cannabis retailers to report THC percentages on sales to consumers, however, licensees are not required to utilize this functionality and it appears it is used less than 1/10th of the time. Thus, the agency does not have enough data to make an analysis regarding the impact of changing the cannabis excise tax structure would have, so the impact 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.

FINANCE DIVISION:

Ongoing impact estimate FTE 0.5 Fiscal Analyst 2 (FA2) for additional processing.

- Tax unit will continue to enter sales and tax as currently - one line for monthly sales and one for total collected excise tax to track receivables.
- Calculating the separate tax rates in current monthly verification excel spreadsheet
- Assumption for separate revenue codes for breakdown of taxes collected.

0.5 FTE Fiscal Analyst 2 - \$42,207/yr (\$40,822 salary/benefits, \$1,385 in associated costs). Onetime costs in FY24 of \$6,105 for equipment purchases.

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	48,312	42,207	90,519	84,414	84,414
Total \$			48,312	42,207	90,519	84,414	84,414

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.5	0.5	0.5	0.5
A-Salaries and Wages	28,662	28,662	57,324	57,324	57,324
B-Employee Benefits	12,160	12,160	24,320	24,320	24,320
C-Professional Service Contracts					
E-Goods and Other Services	1,420	1,315	2,735	2,630	2,630
G-Travel					
J-Capital Outlays	6,070	70	6,140	140	140
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	48,312	42,207	90,519	84,414	84,414

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
Fiscal Analyst 2	57,324	0.5	0.5	0.5	0.5	0.5
Total FTEs		0.5	0.5	0.5	0.5	0.5

III. D - Expenditures By Program (optional)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Finance Division (020)	48,312	42,207	90,519	84,414	84,414
Total \$	48,312	42,207	90,519	84,414	84,414

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.



Ten-Year Analysis

Bill Number 1595 HB	Title Cannabis excise tax	Agency 195 Liquor and Cannabis Board
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Estimated Cash Receipts

Name of Tax or Fee	Acct Code											
Total												

Biennial Totals

Narrative Explanation (Required for Indeterminate Cash Receipts)

Subsection 1(a) modifies the cannabis excise tax rate. The existing 37% rate on all products is replaced by a tiered structure as shown below:

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