Multiple Agency Fiscal Note Summary

Bill Number: 1182 S HB	Title: Wine/alcohol tax exemption

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	(1,169,258)	(1,169,258)	(6,282,408)	(1,169,258)	(1,169,258)	(6,282,408)	(1,169,258)	(1,169,258)	(6,282,408)
Total $	**(1,169,258)**	**(1,169,258)**	**(6,282,408)**	**(1,169,258)**	**(1,169,258)**	**(6,282,408)**	**(1,169,258)**	**(1,169,258)**	**(6,282,408)**

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
Joint Legislative Audit and Review Committee	.1	20,000	20,000	20,000	.2	57,500	57,500	57,500	.1	24,300	24,300	24,300
Liquor and Cannabis Board	.0	0	0	372,000	.0	0	0	0	.0	0	0	0
Washington State University	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total $	**0.1**	**20,000**	**20,000**	**392,000**	**0.2**	**57,500**	**57,500**	**57,500**	**0.1**	**24,300**	**24,300**	**24,300**

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Liquor and Cannabis Board	.0	0	0	.0	0	0	.0	0	0
Washington State University	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Estimated Capital Budget Breakout

NONE

Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 2/ 8/2023

Individual State Agency Fiscal Note

Bill Number: 1182 S HB	Title: Wine/alcohol tax exemption	Agency: 014-Joint Legislative Audit and Review Committee

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		0.1	0.0	0.1	0.2	0.1
Account						
General Fund-State	001-1	20,000	0	20,000	57,500	24,300
	Total $	20,000	0	20,000	57,500	24,300

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: 01/26/2023
Agency Preparation:	Dana Lynn	Phone: 360-786-5177	Date: 01/30/2023
Agency Approval:	Eric Thomas	Phone: 360 786-5182	Date: 01/30/2023
OFM Review:	Gaius Horton	Phone: (360) 819-3112	Date: 01/30/2023

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.

The bill alters taxation of wine in Washington, making the first 20,000 gallons of winery sales of table wine or cider subject to a new tax and exempting it from other taxes under RCW 66.24.210.

Section 1 amends RCW 66.24.210(1) to:
• Tax the first 20,000 gallons of table wine or cider sold by a winery in a calendar year at a rate of $0.0528 per liter.
• Exempt the first 20,000 gallons of table wine or cider sold by a winery in a calendar year from all other taxes imposed under the chapter, except for the ¼ of 1 cent per liter tax imposed under RCW 66.24.210(3).

TAX PERFORMANCE STATEMENT DETAILS

Section 2 is the tax preference performance statement that categorizes the new preference as one intended to provide tax relief to certain businesses and individuals, as indicated in RCW 82.32.808(2)(e). The Legislature's specific public policy objective is to promote development of small wineries, and to help them grow and stabilize.

JLARC must conduct an initial review of the tax preference by January 1, 2028, and a final evaluation by January 1, 2033.

If a review finds that the:
a) Number of wineries producing less than 20,000 gallons per year going out of business is decreased;
b) Number of wineries that were producing less than 20,000 gallons per year in 2023 that are subsequently producing more than 20,000 gallons per year is increased; and/or
c) Amount of sales and use tax collected by wineries has increased, then the Legislature intends to extend the expiration date of the tax preference.

In order to obtain data necessary to perform the review, JLARC staff may refer to any data collected by the state, including the Washington Wine Commission.

The bill does not include an effective or expiration date. JLARC staff assume that if passed, the tax preference would begin 90 days after the end of the 2023 legislative session and would expire January 1, 2034, per RCW 82.32.805(1)(a).

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.

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.

JLARC staff would contact and work with the Department of Revenue, the Liquor and Cannabis Board, the Washington Wine Commission, and other appropriate agencies immediately after passage of the bill to ensure project contacts are established and any other necessary data for JLARC staff's future evaluation needs are identified and collected. Staff would work with those same agencies and organizations when conducting its review.

The expenditure detail reflects work conducted to prepare for and conduct the first assigned review of the preference by January 1, 2028. Work for this review will begin in June 2026 and continue through the end of 2027.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2023 legislative session.

This audit will require an estimated 5 audit months.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2021-23 costs are calculated at approximately $22,100 per audit month.

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	20,000	0	20,000	57,500	24,300
		Total $	20,000	0	20,000	57,500	24,300

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1	0.2	0.1
A-Salaries and Wages	12,900		12,900	37,200	15,700
B-Employee Benefits	4,100		4,100	11,700	5,000
C-Professional Service Contracts					
E-Goods and Other Services	2,700		2,700	7,800	3,300
G-Travel	300		300	800	300
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	20,000	0	20,000	57,500	24,300

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
Research Analyst	126,694	0.1		0.1	0.1	0.1
Support staff	89,671				0.1	
Total FTEs		0.1		0.1	0.2	0.1

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.

Individual State Agency Fiscal Note

Bill Number: 1182 S HB	Title: Wine/alcohol tax exemption	Agency: 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
General Fund-State 001-1	(584,629)	(584,629)	(1,169,258)	(1,169,258)	(1,169,258)
Liquor Revolving Account-State 501-1	(2,556,575)	(2,556,575)	(5,113,150)	(5,113,150)	(5,113,150)
Total $	(3,141,204)	(3,141,204)	(6,282,408)	(6,282,408)	(6,282,408)

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
Account					
Liquor Revolving Account-State 501-1	372,000	0	372,000	0	0
Total $	372,000	0	372,000	0	0

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: 01/26/2023
Agency Preparation:	Colin O Neill	Phone: (360) 664-4552	Date: 01/31/2023
Agency Approval:	Aaron Hanson	Phone: 360-664-1701	Date: 01/31/2023
OFM Review:	Amy Hatfield	Phone: (360) 280-7584	Date: 01/31/2023

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(1d)(i) provides that a winery's sale of the first 20,000 gallons of table wine and cider in a calendar year is subject to a reduced tax rate of $0.0553/liter for table wine and $0.0533/liter for cider. Non-fortified wine is still subject to all existing applicable wine taxes.

Section 1(1d)(ii) and Section 1(1e) provide that the portion of the wine and cider tax designated for the Washington wine commission and Washington State University are still subject to collection and allocation.

Section 2: The joint legislative audit and review committee must conduct an initial evaluation of the tax preference in section 1 by January 1, 2028. A final evaluation must be conducted by January 1, 2033. If the review finds that the: (a) Number of wineries producing less than 20,000 gallons per year going out of business is decreased; (b) number of wineries that were producing less than 20,000 gallons per year in 2023 that are subsequently producing more than 20,000 gallons per year is increased; and/or (c) amount of sales and use tax collected by wineries has increased, then the legislature intends to extend the expiration date of this tax preference.

Changes compared to the original bill:

• Modifies the proposed tax exemption for wineries' sales of their first 20,000 gallons of wine per calendar year to instead provide a reduced tax rate for wineries' sales of their first 20,000 gallons of table wine or cider (but not fortified wine) per calendar year.

• Specifies the reduced tax rate is $0.0528 per liter for table wine or cider for wineries' sales of their first 20,000 gallons per calendar year (instead of $0.2292 per liter for table wine or $0.0814 per liter for cider).

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 anticipated negative cash receipt impact from the lower tax rate on the first 20,000 gallons of table wine and cider sold by a winery in a calendar year is anticipated to be $3.1m/year ongoing. The estimated loss is based on an analysis of 2021 sales.

Please see the attached "1182 SHB Small Winery Tax Relief Analysis.pdf" for the breakdown in tax rates affected and totals for the Liquor Revolving Account and General Fund-State.

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.

INFORMATION TECHNOLOGY DIVISION: (onetime costs in FY24)

The division will have contracted costs to modify the agency's Beer & Wine Tax system - 1200 hours x $150/hr = $180,000

IT Investments – Approval and Oversight. The Office of the Chief Information Officer (OCIO) defines a major technology investment as one having a total cost that includes a combined level of effort of more than $500,000 OR has a duration longer than 4-months.

If the agency fiscal note analysis anticipates one or both of these criteria being met, the agency is required under OCIO Policy #121 to submit an online self-assessment via OCIO's Information Technology Assessment Tool (ITPA) speaking to effort size, risk and expected impact on citizens and state operations. If the agency assumes that OCIO's formal decision is to place the project/effort under formal OCIO oversight, the agency would be required under OCIO Policy #132 to have external Quality Assurance (QA) services present at all stages of the project, from feasibility through implementation.

The agency currently estimates that cost at $160/hr over the estimated lifetime of the project/effort. Since the project work on this bill is anticipated at 1,200 hours, the OCIO QA oversight cost is 1,200 x $160 = $192,000.

NOTE: the changes in the bill would not be able to be implemented by July 1st (the assumed effective date of the bill) due to the scope of the IT work involved.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
501-1	Liquor Revolving Account	State	372,000	0	372,000	0	0
		Total $	372,000	0	372,000	0	0

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts	372,000		372,000		
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	372,000	0	372,000	0	0

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)

Program	FY 2024	FY 2025	2023-25	2025-27	2027-29
Information Technology Division (070)	372,000		372,000		
Total $	372,000		372,000		

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.

1182 SHB "Small Winery Tax Relief" analysis

	Non-Fortified Tax Impact	Fortified Tax Impact	Cider Tax Impact
Liters based on 2021 sales	**17,403,458**	**198,666**	**2,882,978**

Current wine tax Statute				Tax Totals (1st 20,000 gallons)			
RCW 66.24.210	**Table Wines**	**Fortified Wines (over 14%)**	**Cider**	**Table Wines**	**Fortified Wines (over 14%)**	**Cider**	**Distribution**
subsection 1	$0.2000	$0.2000	$0.0334	$ 3,480,692	$ 39,733	$ 96,291	LRA[1]
subsection 1	$0.0025	$0.0025	$0.0025	$ 43,509	$ 497	$ 7,207	WSU[2]
subsection 2	7% of section 1 ($.0142)	7% of section 1 ($.0142)	7% of section 1 ($.0025)	$ 247,129	$ 2,821	$ 40,938	GFS[3]
subsection 3	$0.0025	$0.0025	$0.0005	$ 43,509	$ 497	$ 1,441	WWC[4]
subsection 4	$0.0100	$0.2344	$0.0018	$ 174,035	$ 46,567	$ 5,189	GFS[3]
subsection 5			$0.0407	$ -	$ -	$ 117,337	GFS[3]
Total	$.2292 per liter	$.4536 per liter	$.0814 per liter	$ 3,988,873	$ 90,115	$ 268,405	

Wine tax statute as modified by 1182 SHB Section 1				Tax Totals (1st 20,000 gallons)			
RCW 66.24.210	**Table Wines**	**Fortified Wines (over 14%)**	**Cider**	**Table Wines**	**Fortified Wines (over 14%)**	**Cider**	**Distribution**
subsection 1	$0.0503	$0.2000	$0.0503	$ 875,394	$ 39,733	$ 145,014	LRA[1]
subsection 1	$0.0025	$0.0025	$0.0025	$ 43,509	$ 497	$ 7,207	WSU[2]
subsection 2		7% of section 1 ($.0142)		$ -	$ 2,821	$ -	GFS[3]
subsection 3	$0.0025	$0.0025	$0.0005	$ 43,509	$ 497	$ 1,441	WWC[4]
subsection 4		$0.2344		$ -	$ 46,567	$ -	GFS[3]
subsection 5				$ -	$ -	$ -	GFS[3]
Total	$.0553 per liter	$.4536 per liter	$.0533 per liter	$ 962,411	$ 90,115	$ 153,663	

	Tax impact (1st 20,000 gallons)				
RCW Section	**Table Wines**	**Fortified Wines (over 14%)**	**Cider**	**Totals**	**Distribution**
subsection 1	$ (2,605,298)	$ -	$ 48,722	$ (2,556,575)	LRA[1]
subsection 1	$ -	$ -	$ -	$ -	WSU[2]
subsection 2	$ (247,129)	$ -	$ (40,938)	$ (288,067)	GFS[3]
subsection 3	$ -	$ -	$ -	$ -	WWC[4]
subsection 4	$ (174,035)	$ -	$ (5,189)	$ (179,224)	GFS[3]
subsection 5	$ -	$ -	$ (117,337)	$ (117,337)	GFS[3]
Total	**$ (3,026,461)**	**$ -**	**$ (114,743)**	**$ (3,141,204)**	

$ (584,629) total GFS

Notes on Distributions:

1) Liquor Revolving Account
2) Washington State University
3) General Fund-State
4) Washington Wine Commission

Individual State Agency Fiscal Note

Bill Number: 1182 S HB	Title: Wine/alcohol tax exemption	Agency: 365-Washington State University

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:	Peter Clodfelter	Phone: 360-786-7127	Date: 01/26/2023
Agency Preparation:	Anne-Lise Brooks	Phone: 509-335-8815	Date: 01/31/2023
Agency Approval:	Chris Jones	Phone: 509-335-9682	Date: 01/31/2023
OFM Review:	Ramona Nabors	Phone: (360) 742-8948	Date: 02/08/2023

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.

S HB 1182 imposes a lower tax rate to the first 20,000 gallons of table wine and cider produced in a calendar year. The change in the tax rate will not have a fiscal impact to Washington State University.

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.

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.

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.