

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1809 HB	<b>Title:</b> Definition of food
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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	(9,450,000)	(9,450,000)	(9,470,000)	(12,120,000)	(12,120,000)	(12,140,000)	(12,950,000)	(12,950,000)	(12,970,000)
<b>Total \$</b>	<b>(9,450,000)</b>	<b>(9,450,000)</b>	<b>(9,470,000)</b>	<b>(12,120,000)</b>	<b>(12,120,000)</b>	<b>(12,140,000)</b>	<b>(12,950,000)</b>	<b>(12,950,000)</b>	<b>(12,970,000)</b>

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(4,207,500)		(5,395,500)		(5,771,700)
Local Gov. Total		(4,207,500)		(5,395,500)		(5,771,700)

## 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	.1	10,300	10,300	10,300	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.1</b>	<b>10,300</b>	<b>10,300</b>	<b>10,300</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>

## 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
<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> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Final 2/21/2023
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1809 HB	<b>Title:</b> Definition of food	<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 01 - Retail Sales Tax	(3,690,000)	(5,760,000)	(9,450,000)	(12,120,000)	(12,950,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(10,000)	(10,000)	(20,000)	(20,000)	(20,000)
<b>Total \$</b>	(3,700,000)	(5,770,000)	(9,470,000)	(12,140,000)	(12,970,000)

### Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
GF-STATE-State 001-1	10,300		10,300		
<b>Total \$</b>	10,300		10,300		

### 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: Kristina King	Phone: 60-786-7190	Date: 02/15/2023
Agency Preparation: Diana Tibbetts	Phone: 60-534-1520	Date: 02/21/2023
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 02/21/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/21/2023

Request # 1809-1-1

## 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:

Under current law, the sales of food and food ingredients are exempt from retail sales tax. However, prepared foods, dietary supplements, and soft drinks are taxable.

#### PROPOSAL:

This legislation removes food sold that ordinarily requires additional cooking instead of just reheating by the consumer prior to consumption from the definition of prepared food.

The new tax preference performance provisions do not apply to this bill (see section 2 of the bill).

#### EFFECTIVE DATE:

This bill takes effect on October 1, 2023.

### 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

- This estimate includes retail sales from chain and independent take-and-bake pizza restaurants.
- This estimate assumes a small portion of grocery store deli retail sales will also meet the definition of food that ordinarily requires additional cooking as opposed to just reheating by the consumer prior to consumption. It is likely to include take-and-bake pizza and other select food items that can be purchased in grocery store deli's.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- The growth in the retail sales of the items impacted by this bill mimics the growth for taxable retail sales, as estimated by the Economic and Revenue Forecast Council.

#### DATA SOURCES

- Department of Revenue Excise, tax return data
- National grocery store sales statistics, various sources
- Economic and Revenue Forecast Council, November 2022 forecast

#### REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$3.7 million in the eight months of impacted collections in fiscal year 2024, and by \$5.8 million in fiscal year 2025, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$1.7 million in the eight months of impacted collections in fiscal year 2024, and by \$2.6 million in fiscal year 2025, the first full year of impacted collections.

#### TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	(\$ 3,700)
FY 2025 -	(\$ 5,770)
FY 2026 -	(\$ 5,970)
FY 2027 -	(\$ 6,170)
FY 2028 -	(\$ 6,380)

FY 2029 - (\$ 6,590)

Local Government, if applicable (cash basis, \$000):

FY 2024 - (\$ 1,660)

FY 2025 - (\$ 2,590)

FY 2026 - (\$ 2,680)

FY 2027 - (\$ 2,770)

FY 2028 - (\$ 2,870)

FY 2029 - (\$ 2,960)

**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 bill affects 2,500 taxpayers, such as take-and-bake pizza establishments.

**FIRST YEAR COSTS:**

The Department of Revenue (department) will incur total costs of \$10,300 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.1 FTE.

- Create special notice and update relevant information on the department’s website.
- Amend two administrative rules and one excise tax advisory.

Object Costs - \$100.

- Print and mail a special notice to active taxpayers who do not file tax returns electronically.

**ONGOING COSTS:**

There are no ongoing costs.

**Part III: Expenditure Detail**

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	6,400		6,400		
B-Employee Benefits	2,100		2,100		
E-Goods and Other Services	1,300		1,300		
J-Capital Outlays	500		500		
<b>Total \$</b>	\$10,300		\$10,300		

**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
EMS BAND 4	126,619	0.0		0.0		
EMS BAND 5	147,919	0.0		0.0		
MGMT ANALYST4	73,260	0.0		0.0		
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.0		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
<b>Total FTEs</b>		0.1		0.1		

**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**

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

Should this legislation become law, the department will use the expedited process to amend WAC 458-20-124, titled: "Restaurants, cocktail bars, taverns and similar businesses," and WAC 458-20-244, titled: "Food and food ingredients." Persons affected by this rulemaking would include sellers of food that requires additional cooking at home by the purchasers.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1809 HB

Title: Definition of food

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

### Legislation Impacts:

- Cities: sales tax revenue decrease
- Counties: sales tax revenue decrease
- Special Districts: sales tax revenue decrease
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time:

### Estimated revenue impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	(489,456)	(763,669)	(1,253,125)	(1,606,948)	(1,718,993)
County	(601,668)	(938,748)	(1,540,416)	(1,975,357)	(2,113,088)
Special District	(552,276)	(861,683)	(1,413,959)	(1,813,195)	(1,939,619)
<b>TOTAL \$</b>	<b>(1,643,400)</b>	<b>(2,564,100)</b>	<b>(4,207,500)</b>	<b>(5,395,500)</b>	<b>(5,771,700)</b>
<b>GRAND TOTAL \$</b>					<b>(15,374,700)</b>

### Estimated expenditure impacts to:

None

## Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/21/2023
Leg. Committee Contact: Kristina King	Phone: 360-786-7190	Date: 02/15/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/21/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/21/2023

## Part IV: Analysis

### A. SUMMARY OF BILL

*Description of the bill with an emphasis on how it impacts local government.*

This bill expands a retail sales tax exemption by altering the definition of ‘prepared food,’ which is non-exempt, to exclude “food sold that ordinarily requires additional cooking, instead of just reheating, by the consumer prior to consumption.”

This bill takes effect October 1, 2023.

### B. SUMMARY OF EXPENDITURE IMPACTS

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

This bill will not impact local government expenditures.

### C. SUMMARY OF REVENUE IMPACTS

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

According to the Dept. of Revenue (DOR), this bill will decrease local government revenues by an estimated \$1.7 million in the eight months of impacted collections in fiscal year 2024, and by \$2.6 million in fiscal year 2025, the first full year of impacted collections.

#### LOCAL GOV, DOR’s #s

FY 2024 -	(\$ 1,660,000)
FY 2025 -	(\$ 2,590,000)
FY 2026 -	(\$ 2,680,000)
FY 2027 -	(\$ 2,770,000)
FY 2028 -	(\$ 2,870,000)
FY 2029 -	(\$ 2,960,000)

#### METHODOLOGY

The distributions for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2021. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. The result is a distribution of 36.61 percent to counties, 29.78 percent to cities, and 33.61 percent to special districts. The one percent DOR administrative fee has been deducted.

#### COUNTIES

FY 2024	-\$601,668
FY 2025	-\$938,748
FY 2026	-\$971,368
FY 2027	-\$1,003,989
FY 2028	-\$1,040,234
FY 2029	-\$1,072,854

#### CITIES

FY 2024	-\$489,456
FY 2025	-\$763,669
FY 2026	-\$790,206
FY 2027	-\$816,742
FY 2028	-\$846,228
FY 2029	-\$872,765

SPECIAL DISTRICTS

FY 2024 -\$552,276  
FY 2025 -\$861,683  
FY 2026 -\$891,626  
FY 2027 -\$921,569  
FY 2028 -\$954,838  
FY 2029 -\$984,781

SOURCES

Dept. of Revenue Fiscal Note  
Dept. of Revenue Local Tax Distributions