

Multiple Agency Fiscal Note Summary

| | |
|-----------------------------|------------------------------------|
| Bill Number: 1182 HB | Title: Winery 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 | (1,230,386) | (1,230,386) | (8,627,322) | (1,230,386) | (1,230,386) | (8,627,322) | (1,230,386) | (1,230,386) | (8,627,322) |
| Total \$ | (1,230,386) | (1,230,386) | (8,627,322) | (1,230,386) | (1,230,386) | (8,627,322) | (1,230,386) | (1,230,386) | (8,627,322) |

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 | 0 | 0 | 20,000 | .2 | 0 | 0 | 57,500 | .1 | 0 | 0 | 24,300 |
| Liquor and Cannabis Board | .4 | 0 | 0 | 125,950 | .0 | 0 | 0 | 0 | .0 | 0 | 0 | 0 |
| Total \$ | 0.5 | 0 | 0 | 145,950 | 0.2 | 0 | 0 | 57,500 | 0.1 | 0 | 0 | 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 |
| 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: Revised 3/ 3/2023 |
|---------------------------------------|---------------------------------|---|

Individual State Agency Fiscal Note

Revised

| | | |
|-----------------------------|------------------------------------|---|
| Bill Number: 1182 HB | Title: Winery 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 | | | | | |
| Performance Audits of Government Account-State 553-1 | 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: 01/06/2023 |
| Agency Preparation: Dana Lynn | Phone: 360-786-5177 | Date: 03/02/2023 |
| Agency Approval: Eric Thomas | Phone: 360 786-5182 | Date: 03/02/2023 |
| OFM Review: Gaius Horton | Phone: (360) 819-3112 | Date: 03/03/2023 |

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 creates a new tax preference, exempting the first 20,000 gallons of winery sales in a calendar year from the wine liquor tax imposed under chapter 66.24 RCW.

Section 1 adds a new section to chapter 66.24 RCW providing the first 20,000 gallons of wine sold by a winery in a calendar year not be taxed under the chapter. Exceptions are provided for amounts of such tax that may be designated for disbursement to the Washington Wine Commission for use in carry out the purposes of chapter 15.88 RCW or to Washington State University under RCW 66.08.180(4).

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 statutory requirements in 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 2023-25 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 |
|-----------------|--|-------|---------|---------|---------|---------|---------|
| 553-1 | Performance Audits of Government Account | 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 HB | Title: Winery 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 | (615,193) | (615,193) | (1,230,386) | (1,230,386) | (1,230,386) |
| Liquor Revolving Account-State 501-1 | (3,698,468) | (3,698,468) | (7,396,936) | (7,396,936) | (7,396,936) |
| Total \$ | (4,313,661) | (4,313,661) | (8,627,322) | (8,627,322) | (8,627,322) |

Estimated Operating Expenditures from:

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|---|---------|---------|---------|---------|---------|
| FTE Staff Years | 0.8 | 0.0 | 0.4 | 0.0 | 0.0 |
| Account | | | | | |
| Liquor Revolving Account-State 501-1 | 125,950 | 0 | 125,950 | 0 | 0 |
| Total \$ | 125,950 | 0 | 125,950 | 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: 01/06/2023 |
| Agency Preparation: Colin O Neill | Phone: (360) 664-4552 | Date: 01/09/2023 |
| Agency Approval: Aaron Hanson | Phone: 360-664-1701 | Date: 01/09/2023 |
| OFM Review: Amy Hatfield | Phone: (360) 280-7584 | Date: 01/09/2023 |

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 exempts a winery's sale of the first 20,000 gallons of wine in a calendar year from payment of wine tax, except the portion of the wine tax designated for the Washington wine commission or Washington State University.

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.

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 cash receipt impact from the tax exemption on the first 20,000 gallons of wine sold by a winery in a calendar year is anticipated to be \$4.3m/year ongoing. The estimated loss is based on an analysis of 2021 sales.

Please see the attached "1182 HB Small Winery Tax Relief Table.pdf" for the breakdown in tax rates affected.

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:

The division will need 1,200 hours of staff time to modify the agency's Beer & Wine Tax system.

0.8 FTE IT App Development - Senior/Specialist - \$125,950 (\$123,369 salary/benefits, \$856 in associated costs, \$1,725 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 |
|-----------------|--------------------------|-------|---------|---------|---------|---------|---------|
| 501-1 | Liquor Revolving Account | State | 125,950 | 0 | 125,950 | 0 | 0 |
| Total \$ | | | 125,950 | 0 | 125,950 | 0 | 0 |

III. B - Expenditures by Object Or Purpose

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--------------------------------------|---------|---------|---------|---------|---------|
| FTE Staff Years | 0.8 | | 0.4 | | |
| A-Salaries and Wages | 94,973 | | 94,973 | | |
| B-Employee Benefits | 28,396 | | 28,396 | | |
| C-Professional Service Contracts | | | | | |
| E-Goods and Other Services | 881 | | 881 | | |
| G-Travel | | | | | |
| J-Capital Outlays | 1,700 | | 1,700 | | |
| M-Inter Agency/Fund Transfers | | | | | |
| N-Grants, Benefits & Client Services | | | | | |
| P-Debt Service | | | | | |
| S-Interagency Reimbursements | | | | | |
| T-Intra-Agency Reimbursements | | | | | |
| 9- | | | | | |
| Total \$ | 125,950 | 0 | 125,950 | 0 | 0 |

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 |
|--|---------|---------|---------|---------|---------|---------|
| IT App Development - Senior/Specialist | 118,716 | 0.8 | | 0.4 | | |
| Total FTEs | | 0.8 | | 0.4 | | 0.0 |

III. D - Expenditures By Program (optional)

| Program | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|---------------------------------------|---------|---------|---------|---------|---------|
| Information Technology Division (070) | 125,950 | | 125,950 | | |
| Total \$ | 125,950 | | 125,950 | | |

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 HB Small Winery Tax Relief

| Distribution RCW | Wine Tax Rates/Liter | | | Exemption Impact in Dollars (annual) | | | | Notes: |
|----------------------|----------------------|-------------------|---------------|--------------------------------------|------------------------|---------------------|------------------------|--------|
| | Cider Tax | Non-Fortified Tax | Fortified Tax | Cider Tax | Non-Fortified Tax | Fortified Tax | TOTAL | |
| RCW 66.24.210 (1)(a) | 0.0334 | 0.2000 | 0.2000 | \$ 99,976.07 | \$ 3,558,316.28 | \$ 40,176.01 | \$ 3,698,468.37 | 1 |
| RCW 66.08.180 (4) | 0.0025 | 0.0025 | 0.0025 | | | | \$ - | 2 |
| RCW 66.24.210 (2) | 0.0025 | 0.0142 | 0.0142 | \$ 7,483.24 | \$ 252,640.46 | \$ 2,852.50 | \$ 262,976.19 | 3 |
| RCW 66.24.210 (3) | 0.0005 | 0.0025 | 0.0025 | | | | \$ - | 4 |
| RCW 66.24.210 (4) | 0.0018 | 0.0100 | 0.2344 | \$ 5,387.93 | \$ 177,915.81 | \$ 47,086.29 | \$ 230,390.04 | 3 |
| RCW 66.24.210 (5)(a) | 0.0407 | | | \$ 121,827.13 | | | \$ 121,827.13 | 3 |
| TAX PER LITER | 0.0814 | 0.2292 | 0.4536 | \$ 234,674.37 | \$ 3,988,872.55 | \$ 90,114.80 | \$ 4,313,661.72 | |

Tax Rates per RCW 66.24.210

Notes:

- 1) Exempt on first 20,000 gallons - Due to Fund 501 (Liquor Revolving Account)
- 2) Not Exempt - Remains due to Washington State University
- 3) Exempt on first 20,000 gallons -Due to Fund 001 (General Fund-State)
- 4) Not Exempt - Remains due to Washington Wine Commission

| Fund Impact | |
|--------------|------------------------|
| Fund 501 | \$ 3,698,468.37 |
| Fund 001 | \$ 615,193.36 |
| Total | \$ 4,313,661.72 |