

Multiple Agency Fiscal Note Summary

Bill Number: 1416 HB	Title: Tobacco & vapor products tax
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Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	23,091,000	23,091,000	25,183,000	31,182,000	31,182,000	34,136,000	29,501,000	29,501,000	32,455,000
Total \$	23,091,000	23,091,000	25,183,000	31,182,000	31,182,000	34,136,000	29,501,000	29,501,000	32,455,000

Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	3.6	938,000	938,000	938,000	.3	59,900	59,900	59,900	.0	0	0	0
Liquor and Cannabis Board	1.0	0	0	319,777	1.0	0	0	283,452	1.0	0	0	283,452
Total \$	4.6	938,000	938,000	1,257,777	1.3	59,900	59,900	343,352	1.0	0	0	283,452

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
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
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

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Prepared by: Megan Tudor, OFM	Phone: (360) 890-1722	Date Published: Final 1/31/2025
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Department of Revenue Fiscal Note

Bill Number: 1416 HB	Title: Tobacco & vapor products tax	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(361,000)	(826,000)	(1,187,000)	(1,562,000)	(1,466,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(17,000)	(42,000)	(59,000)	(86,000)	(89,000)
GF-STATE-State 01 - Taxes 25 - Cigarette Tax	5,857,000	13,598,000	19,455,000	25,708,000	23,600,000
GF-STATE-State 01 - Taxes 26 - Other Tobacco Tax	1,420,000	3,462,000	4,882,000	7,122,000	7,456,000
Andy Hill Cancer Research Endowment Fund Match Transfer Account-State 01 - Taxes 70 - Other Taxes	308,000	739,000	1,047,000	1,478,000	1,478,000
Foundational Public Health Services Account-State 01 - Taxes 70 - Other Taxes	308,000	739,000	1,047,000	1,478,000	1,478,000
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(1,000)	(1,000)	(2,000)	(2,000)	(2,000)
Total \$	7,514,000	17,669,000	25,183,000	34,136,000	32,455,000

Estimated Expenditures from:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	5.9	1.4	3.6	0.3	
GF-STATE-State 001-1	793,900	144,100	938,000	59,900	
Total \$	793,900	144,100	938,000	59,900	

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:	Rachelle Harris	Phone: 603-786-7137	Date: 01/20/2025
Agency Preparation:	Van Huynh	Phone: 603-534-1512	Date: 01/27/2025
Agency Approval:	Valerie Torres	Phone: 603-534-1521	Date: 01/27/2025
OFM Review:	Megan Tudor	Phone: (603) 890-1722	Date: 01/31/2025

Request # 1416-1-1

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:

The cigarette tax is on the sale, use, consumption, handling, possession, or distribution of cigarettes in Washington. The tax rate is \$3.025/pack of 20 cigarettes.

The vapor products tax rates are based on the volume of solution and type of container. Accessible containers of solution with more than 5mL are taxed at \$0.09/mL and all others are taxed at \$0.27/mL.

The other tobacco products (OTP) tax is on the sale, use, consumption, handling or distribution of cigars, pipe tobacco, chewing tobacco, and other forms of tobacco, except cigarettes. The tax rates on these products are as follow:

- For cigars except little cigars, 95% of the taxable sales price of cigars, not to exceed \$0.65 per cigar.
- For tobacco products whose tax rates are not specified, 95% of the taxable sales price.
- For moist snuff, a consumer-sized can or package whose net weight is 1.2 ounces (or less), the tax rate is either the greater of \$2.526 or 83.5% of the cigarette tax (which is currently \$3.025/pack of 20 cigarettes).
- For little cigars, the tax rate per cigar is equal to the cigarette tax per cigarette, which is currently \$0.15125.

PROPOSAL:

This bill imposes an additional cigarette tax. The additional tax is \$0.015 per cigarette, or 30 cents per pack of 20 cigarettes.

The bill also increases the tax rates on vapor products and OTP.

For vapor products, accessible containers of solution with more than 5mL will be taxed at \$0.10/mL, and all others will be taxed at \$0.30/mL.

OTP new tax rates:

- For cigars except little cigars, 95% of the taxable sales price of cigars, not to exceed \$0.72 per cigar.
- For tobacco products whose tax rates are not specified, 100.05% of the taxable sales price.
- For moist snuff, a consumer-sized can or package whose net weight is 1.2 ounces (or less), the tax rate will be either the greater of \$2.776 or 83.5% of the cigarette tax (which will be \$3.325/pack of 20 cigarettes).
- For little cigars, the tax rate per cigar will equal the cigarette tax per cigarette, which will be \$0.16625.

EFFECTIVE DATE:

This bill takes effect on October 1, 2025. However, due to the time it will take to program this bill's changes, the department cannot implement the bill until January 1, 2026.

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:

- The growth rates mirror the Economic and Revenue Forecast Council November 2024 forecast for cigarettes and OTP.
- This proposal will be implemented January 1, 2026, and impacts five months of collections in fiscal year 2026.
- A pack of cigarettes costs \$10.14.
- The price of a disposable vapor product is \$7.49 (small) and \$19.15 (large).
- The price of a nicotine pod is \$5.86.

Request # 1416-1-1

- Taxable sales will decline by the following:
 - Cigarettes: 3.5%
 - Vapor products: 2.5 to 5%, depending on the product
 - OTP: 1.1 to 2.5%, depending on the product

DATA SOURCES:

- Department of Revenue, Excise tax returns and vapor schedules
- Economic and Revenue Forecast Council, November 2024 forecast
- Moneyzine. “A Guide to Cigarette Prices by State, 2024.”
<https://moneyzine.com/personal-finance-resources/cigarette-prices-by-state/>

REVENUE ESTIMATES:

This bill increases state revenues by an estimated \$7.5 million in the five months of impacted collections in fiscal year 2026, and by \$17.7 million in fiscal year 2027, the first full year of impacted collections.

This bill also decreases local revenues by an estimated \$167,000 in the four months of impacted collections in fiscal year 2026, and by \$382,000 in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 7,514
FY 2027 -	\$ 17,669
FY 2028 -	\$ 17,291
FY 2029 -	\$ 16,845
FY 2030 -	\$ 16,424
FY 2031 -	\$ 16,031

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

FY 2026 -	(\$ 167)
FY 2027 -	(\$ 382)
FY 2028 -	(\$ 368)
FY 2029 -	(\$ 354)
FY 2030 -	(\$ 343)
FY 2031 -	(\$ 334)

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 approximately 4,200 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$793,900 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 5.88 FTEs.

- Amend one administrative rule.
- Create four special notices and update relevant information on the department’s website.
- Set up, program and test computer system changes.

- 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, such as an assessment of taxes, notice of taxes due, denial of a refund request, or tax ruling.

- Respond to data requests and questions, compile statistics, and manage data.
- Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email, web message and paper correspondence.
- Examine accounts and make corrections as necessary.
- Gathering requirements, attending implementation meetings, and documenting and testing system changes.

Object Costs - \$117,500.

- Computer system changes, including contract programming.
- Printing and postage.

SECOND YEAR COSTS:

The department will incur total costs of \$144,100 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 1.4 FTEs.

- 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, such as an assessment of taxes, notice of taxes due, denial of a refund request, or tax ruling.
- Respond to data requests and questions, compile statistics, and manage data.
- Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email, web message and paper correspondence.
- Examine accounts and make corrections as necessary.

THIRD YEAR COSTS:

The department will incur total costs of \$59,000 in fiscal year 2028. These costs include:

Labor Costs – Time and effort equate to 0.6 FTE.

- Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email, web message and paper correspondence.
- Examine accounts and make corrections as necessary.

FOURTH YEAR COSTS:

The department will not incur any costs in fiscal year 2029.

ONGOING COSTS:

There are no ongoing costs for the 2029-31 biennium.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	5.9	1.4	3.6	0.3	
A-Salaries and Wages	417,000	89,700	506,700	37,100	
B-Employee Benefits	150,200	32,300	182,500	13,400	
C-Professional Service Contracts	116,700		116,700		
E-Goods and Other Services	86,400	19,400	105,800	8,300	
G-Travel	200		200		
J-Capital Outlays	23,400	2,700	26,100	1,100	
Total \$	\$793,900	\$144,100	\$938,000	\$59,900	

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 2026	FY 2027	2025-27	2027-29	2029-31
EMS BAND 4	135,635	0.0		0.0		
EXCISE TAX EX 1	47,988	0.3		0.2		
EXCISE TAX EX 2	59,844	2.0	0.8	1.4	0.2	
EXCISE TAX EX 3	66,012	1.2	0.4	0.8	0.1	
EXCISE TAX EX 4	72,924	0.2		0.1		
IT B A-JOURNEY	94,728	0.8		0.4		
IT QA-JOURNEY	94,728	0.1		0.1		
IT SYS ADM-JOURNEY	99,444	0.2		0.1		
MGMT ANALYST4	78,468	0.1		0.1		
TAX INFO SPEC 1	47,988	0.1		0.1		
TAX INFO SPEC 3	62,892	0.1	0.1	0.1		
TAX POLICY SP 2	80,460	0.4		0.2		
TAX POLICY SP 3	91,068	0.4	0.1	0.2		
TAX POLICY SP 4	98,040	0.0		0.0		
WMS BAND 2	101,410	0.0		0.0		
WMS BAND 3	115,352	0.0		0.0		
Total FTEs		5.9	1.4	3.7	0.3	

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 458-20-185, titled: "Tax on tobacco products."

This rulemaking would affect taxpayers who have a cigarette, tobacco, or vapor sales endorsement.

Individual State Agency Fiscal Note

Bill Number: 1416 HB	Title: Tobacco & vapor products tax	Agency: 195-Liquor and Cannabis Board
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	1.0	1.0	1.0	1.0	1.0
Account					
Liquor Revolving Account-State 501-1	178,051	141,726	319,777	283,452	283,452
Total \$	178,051	141,726	319,777	283,452	283,452

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: Rachele Harris	Phone: 360-786-7137	Date: 01/20/2025
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 01/23/2025
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/23/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 01/26/2025

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.

NEW SECTION. Sec. 1. A new section is added to chapter 82.24 RCW to read as follows:

In addition to the tax imposed upon the sale, use, consumption, handling, possession, or distribution of cigarettes in RCW 82.24.020 and 82.24.026, there is imposed a tax in an amount equal to \$0.015 per cigarette. Revenue collected under this section must be deposited into the general fund.

Sec. 2. RCW 82.25.010 and 2019 c 445 s 102 are each amended to read as follows:

(1)(a)(i) All vapor products other than those taxed under (a)(ii) of this subsection are taxed at a rate equal to ((twenty-seven cents)) \$0.30 per milliliter of solution, regardless of whether it contains nicotine, and a proportionate tax at the like rate on all fractional parts of a milliliter thereof.

(ii) Any accessible container of solution, regardless of whether it contains nicotine, that is greater than five milliliters, is taxed at a rate equal to ((nine cents)) \$0.10 per milliliter of solution and a proportionate tax at the like rate on all fractional parts of a milliliter thereof.

Sec. 3. RCW 82.26.020 and 2019 c 445 s 404 are each amended to read as follows:

(1) There is levied and collected a tax upon the sale, handling, or distribution of all tobacco products in this state at the following rate:

(a) For cigars except little cigars, 95 percent of the taxable sales price of cigars, not to exceed \$0.72 per cigar;

(b) For all tobacco products except those covered under separate provisions of this subsection, 100.05 percent of the taxable sales price.

(c) For moist snuff, as established in this subsection (1)(c) and computed on the net weight listed by the manufacturer:

(i) On each single unit consumer-sized can or package whose net weight is 1.2 ounces or less, a rate per single unit that is equal to the greater of \$2.776 or 83.5 percent of the cigarette tax under chapter 82.24 RCW multiplied by 20.

NEW SECTION. Sec. 4. This act takes effect October 1, 2025.

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.

No cash receipts impact. Tobacco and vapor product taxes are collected by the Department of Revenue. Any assessments by the LCB are forwarded to DOR.

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.

ENFORCEMENT DIVISION:

The Washington State Liquor and Cannabis Board ("Board") keeps detailed statistics on all of its enforcement activities and tracks this activity using a unit of measure called a Field Increment (FI). All direct enforcement activities such as premise checks, inspections and investigations are tracked to determine how many FI's are needed to accomplish each activity. Each FI is equivalent to 1/10th of an hour (6 minutes). For example, if a tavern premise check takes 2 FI's and two officers, it is anticipated that one check will consume 4 FI's. Using historical data to factor out indirect activities such as driving time, training, office time and leave, it has been determined that officers are available for an average of 4,220 FI's each year.

The agency estimates that there will be an increase of premise checks, audits, and administrative violation notices as a result of this bill, leading to an increase of 1.0 FTE LEO2 (LCB Enforcement Officer 2). Please see the attached "1416 HB Tobacco vapor products tax - Enforcement Field Increment Calculator.pdf" for the calculations.

1.0 FTE LCB Enforcement Officer 2 - \$141,726/yr (\$118,656 salary/benefits, \$23,070 in associated costs). Onetime costs in FY26 of \$36,325 for equipment purchases.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
501-1	Liquor Revolving Account	State	178,051	141,726	319,777	283,452	283,452
Total \$			178,051	141,726	319,777	283,452	283,452

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	1.0	1.0	1.0	1.0	1.0
A-Salaries and Wages	86,712	86,712	173,424	173,424	173,424
B-Employee Benefits	31,944	31,944	63,888	63,888	63,888
C-Professional Service Contracts					
E-Goods and Other Services	25,535	9,470	35,005	18,940	18,940
G-Travel	13,100	12,600	25,700	25,200	25,200
J-Capital Outlays	20,760	1,000	21,760	2,000	2,000
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	178,051	141,726	319,777	283,452	283,452

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 2026	FY 2027	2025-27	2027-29	2029-31
LCB Enforcement Officer 2	86,712	1.0	1.0	1.0	1.0	1.0
Total FTEs		1.0	1.0	1.0	1.0	1.0

III. D - Expenditures By Program (optional)

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Enforcement Division (060)	178,051	141,726	319,777	283,452	283,452
Total \$	178,051	141,726	319,777	283,452	283,452

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.

Enforcement Field Increment (FI) Calculator

1416 HB "Tobacco & Vapor products tax"

	Number of events	Time Factor	Staffing Factor	FI Total
Tobacco/Vapor Product Premises checks	83	2	1.3	215
Tobacco Audits	60	20	1.0	1192
Vapor Audits	83	25	1.0	2066
Administrative Notices	5	5	1.0	24

Total FI's	3,497
Total Field Increments per FTE	4,220
FTE's required	0.83
Round	1.00

<u>Factors</u>	<u>Values</u>
Calendar Year 2024 actuals: Vapor Audits	551
Calendar Year 2024 actuals: Tobacco Audits	596
Calendar Year 2024 actuals: Referred cases	24
Tobacco/Vapor Product Premises checks	15%
Tobacco Audits	10%
Vapor Audits	15%
Administrative Notices	20%



Multiple Agency Ten-Year Analysis Summary

Bill Number 1416 HB	Title Tobacco & vapor products tax
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

Estimated Cash Receipts

	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	Fiscal Year 2034	Fiscal Year 2035	2026-35 TOTAL
Department of Revenue	7,514,000	17,669,000	17,291,000	16,845,000	16,424,000	16,031,000	15,665,000	15,328,000	15,022,000	14,748,000	152,537,000
Liquor and Cannabis Board	0	0	0	0	0	0	0	0	0	0	0
Total	7,514,000	17,669,000	17,291,000	16,845,000	16,424,000	16,031,000	15,665,000	15,328,000	15,022,000	14,748,000	152,537,000



Ten-Year Analysis

Bill Number 1416 HB	Title Tobacco & vapor products tax	Agency 140 Department of Revenue
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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	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	Fiscal Year 2034	Fiscal Year 2035	2026-35 TOTAL
Business and occupation tax	001	(17,000)	(42,000)	(43,000)	(43,000)	(44,000)	(45,000)	(46,000)	(48,000)	(49,000)	(51,000)	(428,000)
Cigarette tax	001	5,857,000	13,598,000	13,128,000	12,580,000	12,053,000	11,547,000	11,060,000	10,593,000	10,144,000	9,713,000	110,273,000
Other taxes	19V	308,000	739,000	739,000	739,000	739,000	739,000	739,000	739,000	739,000	739,000	6,959,000
Other taxes	24B	308,000	739,000	739,000	739,000	739,000	739,000	739,000	739,000	739,000	739,000	6,959,000
Total Other taxes		616,000	1,478,000	1,478,000	1,478,000	1,478,000	1,478,000	1,478,000	1,478,000	1,478,000	1,478,000	13,918,000
Other tobacco products tax	001	1,420,000	3,462,000	3,525,000	3,597,000	3,680,000	3,776,000	3,885,000	4,010,000	4,154,000	4,318,000	35,827,000
Retail sales tax	001	(361,000)	(826,000)	(796,000)	(766,000)	(742,000)	(724,000)	(711,000)	(704,000)	(704,000)	(709,000)	(7,043,000)
Retail sales tax	553	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(10,000)
Total Retail sales tax		(362,000)	(827,000)	(797,000)	(767,000)	(743,000)	(725,000)	(712,000)	(705,000)	(705,000)	(710,000)	(7,053,000)
Total		7,514,000	17,669,000	17,291,000	16,845,000	16,424,000	16,031,000	15,665,000	15,328,000	15,022,000	14,748,000	152,537,000
Biennial Totals		25,183,000	34,136,000	32,455,000	30,993,000	29,770,000	152,537,000					

Narrative Explanation (Required for Indeterminate Cash Receipts)

CURRENT LAW:

The cigarette tax is on the sale, use, consumption, handling, possession, or distribution of cigarettes in Washington. The tax rate is \$3.025/pack of 20 cigarettes.

The vapor products tax rates are based on the volume of solution and type of container. Accessible containers of solution with more than 5mL are taxed at \$0.09/mL and others are taxed at \$0.27/mL.



Ten-Year Analysis

Bill Number	Title	Agency
1416 HB	Tobacco & vapor products tax	140 Department of Revenue

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>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

The other tobacco products (OTP) tax is on the sale, use, consumption, handling or distribution of cigars, pipe tobacco, chewing tobacco, and other forms of tobacco, except cigarettes. The tax rates on these products are as follow:

- For cigars except little cigars, 95% of the taxable sales price of cigars, not to exceed \$0.65 per cigar.
- For tobacco products whose tax rates are not specified, 95% of the taxable sales price.
- For moist snuff, a consumer-sized can or package whose net weight is 1.2 ounces (or less), the tax rate is either the greater of \$2.526 or 83.5% of the cigarette tax (which is currently \$3.025/pack of 20 cigarettes).
- For little cigars, the tax rate per cigar is equal to the cigarette tax per cigarette, which is currently \$0.15125.

PROPOSAL:

This bill imposes an additional cigarette tax. The additional tax is \$0.015 per cigarette, or 30 cents per pack of 20 cigarettes.

The bill also increases the tax rates on vapor products and OTP.

For vapor products, accessible containers of solution with more than 5mL will be taxed at \$0.10/mL, and all others will be taxed at \$0.30/mL.

OTP new tax rates:

- For cigars except little cigars, 95% of the taxable sales price of cigars, not to exceed \$0.72 per cigar.
- For tobacco products whose tax rates are not specified, 100.05% of the taxable sales price.
- For moist snuff, a consumer-sized can or package whose net weight is 1.2 ounces (or less), the tax rate will be either the greater of \$2.776 or 83.5% of the cigarette tax (which will be \$3.325/pack of 20 cigarettes).
- For little cigars, the tax rate per cigar will equal the cigarette tax per cigarette, which will be \$0.16625.

EFFECTIVE DATE:

This bill takes effect on October 1, 2025. However, due to the time it will take to program this bill's changes, the department cannot implement the bill until January 1, 2026.

ASSUMPTIONS:

- The growth rates mirror the Economic and Revenue Forecast Council November 2024 forecast for cigarettes and OTP.
- This proposal will be implemented January 1, 2026, and impacts five months of collections in fiscal year 2026.



Ten-Year Analysis

Bill Number	Title	Agency
1416 HB	Tobacco & vapor products tax	140 Department of Revenue

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>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

- A pack of cigarettes costs \$10.14.
- The price of a disposable vapor product is \$7.49 (small) and \$19.15 (large).
- The price of a nicotine pod is \$5.86.
- Taxable sales will decline by the following:
 - Cigarettes: 3.5%
 - Vapor products: 2.5 to 5%, depending on the product
 - OTP: 1.1 to 2.5%, depending on the product

DATA SOURCES:

- Department of Revenue, Excise tax returns and vapor schedules
- Economic and Revenue Forecast Council, November 2024 forecast
- Moneyzine. "A Guide to Cigarette Prices by State, 2024."
<https://moneyzine.com/personal-finance-resources/cigarette-prices-by-state/>

REVENUE ESTIMATES:

This bill increases state revenues by an estimated \$7.5 million in the five months of impacted collections in fiscal year 2026, and by \$17.7 million in fiscal year 2027, the full year of impacted collections.

This bill also decreases local revenues by an estimated \$167,000 in the four months of impacted collections in fiscal year 2026, and by \$382,000 in fiscal year 2027, the full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 7,514
FY 2027 -	\$ 17,669
FY 2028 -	\$ 17,291
FY 2029 -	\$ 16,845
FY 2030 -	\$ 16,424
FY 2031 -	\$ 16,031



Ten-Year Analysis

Bill Number 1416 HB	Title Tobacco & vapor products tax	Agency 140 Department of Revenue
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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> .

Narrative Explanation (Required for Indeterminate Cash Receipts)

<p>Local Government, if applicable (cash basis, \$000):</p> <p>FY 2026 - (\$ 167)</p> <p>FY 2027 - (\$ 382)</p> <p>FY 2028 - (\$ 368)</p> <p>FY 2029 - (\$ 354)</p> <p>FY 2030 - (\$ 343)</p> <p>FY 2031 - (\$ 334)</p>

Agency Preparation: Van Huynh	Phone: 360-534-1512	Date: 1/27/2025 6:15:22 pm
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 1/27/2025 6:15:22 pm
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 1416 HB	Title Tobacco & vapor products 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

Name of Tax or Fee	Acct Code												
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Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 1/23/2025 1:35:42 pm
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 1/23/2025 1:35:42 pm
OFM Review:	Phone:	Date: