

Multiple Agency Fiscal Note Summary

Bill Number: 1417 HB	Title: Cigarette carbon 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	2,353,000	2,353,000	2,353,000	3,172,000	3,172,000	3,172,000	3,291,000	3,291,000	3,291,000
Total \$	2,353,000	2,353,000	2,353,000	3,172,000	3,172,000	3,172,000	3,291,000	3,291,000	3,291,000

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	2.5	700,600	700,600	700,600	.0	0	0	0	1.8	372,200	372,200	372,200
Liquor and Cannabis Board	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	2.5	700,600	700,600	700,600	0.0	0	0	0	1.8	372,200	372,200	372,200

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: 1417 HB	Title: Cigarette carbon 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	(62,000)	(137,000)	(199,000)	(241,000)	(198,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(4,000)	(10,000)	(14,000)	(17,000)	(15,000)
GF-STATE-State 01 - Taxes 25 - Cigarette Tax	611,000	1,416,000	2,027,000	2,673,000	2,750,000
GF-STATE-State 01 - Taxes 26 - Other Tobacco Tax	159,000	380,000	539,000	757,000	754,000
Total \$	704,000	1,649,000	2,353,000	3,172,000	3,291,000

Estimated Expenditures from:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	4.8	0.1	2.5		1.8
GF-STATE-State 001-1	686,400	14,200	700,600		372,200
Total \$	686,400	14,200	700,600		372,200

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: 60-786-7137	Date: 01/20/2025
Agency Preparation: Van Huynh	Phone: 60-534-1512	Date: 01/27/2025
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 01/27/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 01/31/2025

Request # 1417-1-1

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 other tobacco products (OTP) tax for 1.2 ounces (or less) of moist snuff is \$2.526.

The OTP tax for a little cigar is \$0.15125.

Revenues are deposited into the general fund.

PROPOSAL:

This bill imposes an additional tax, called the embodied carbon tax. The tax is \$0.0015 per cigarette, or 3 cents per pack of 20 cigarettes.

Beginning October 1, 2030, and every five years thereafter, the tax rate must be increased by 25% plus the rate of inflation as measured by the most recently available 12 months of the consumer price index (CPI) for all urban consumers. The adjusted rate must be rounded to the nearest full cent and published on the Department of Revenue's (department) website.

Under this bill, the OTP tax on 1.2 ounces (or less) of moist snuff will increase to \$2.551 and for a little cigar to \$0.15275.

Revenues from this new tax must be deposited into the general fund.

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

- A pack of cigarettes costs \$10.14.
- Minimal change to taxable sales of moist snuff and little cigars are expected.
- Wholesale prices of moist snuff and little cigars are expected to be relatively stable.
- Calculated the new rate for fiscal year 2031 using the consumer price index for all urban consumers as stated in the bill.
- The annual growth rate reflects the Economic and Revenue Forecast Council's November 2024 cigarette forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 3.0%.
- The department receives the taxes from monthly taxpayers the month after the business collects the sales tax from the consumer. Most local tax distributions occur the month after the department receives sales and use taxes that businesses collect. This leads to a one-month delay in revenue impacts for the state and a two-month delay in revenue impacts for local jurisdictions.
- This legislation takes effect January 1, 2026, and impacts five months of state collections and four months of local collections in fiscal year 2026.

DATA SOURCES

- Department of Revenue, other tobacco products data
- Department of Revenue, cigarette tax stamps data
- Economic and Revenue Forecast Council, November 2024 CPI and cigarette forecasts

REVENUE ESTIMATES

This bill increases state revenues by an estimated \$704,000 in the five months of impacted collections in fiscal year 2026, and by \$1.6 million in fiscal year 2027, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$23,000 in the four months of impacted collections in fiscal year 2026, and by \$63,000 in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 704
FY 2027 -	\$ 1,649
FY 2028 -	\$ 1,610
FY 2029 -	\$ 1,562
FY 2030 -	\$ 1,516
FY 2031 -	\$ 1,775

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

FY 2026 -	(\$ 23)
FY 2027 -	(\$ 63)
FY 2028 -	(\$ 58)
FY 2029 -	(\$ 53)
FY 2030 -	(\$ 48)
FY 2031 -	(\$ 43)

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 50 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$686,400 in fiscal year 2026. These costs include:

- Labor Costs – Time and effort equate to 4.81 FTEs.
 - Amend one administrative rule.
 - Create and update 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 - \$119,800.

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

SECOND YEAR COSTS:

The department will incur total costs of \$14,200 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 0.1 FTE.

- Respond to data requests and questions, compile statistics, and manage data.

ONGOING COSTS:

There are no ongoing costs for the 2027-29 biennium. The ongoing costs for the 2029-31 biennium equal \$372,200 and include labor costs for examining accounts and continued computer system testing and object costs for computer system changes, printing, and postage. Time and effort equate to 1.75 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	4.8	0.1	2.5		1.8
A-Salaries and Wages	351,100	9,100	360,200		229,200
B-Employee Benefits	126,600	3,300	129,900		82,500
C-Professional Service Contracts	119,000		119,000		4,700
E-Goods and Other Services	70,600	1,600	72,200		49,100
J-Capital Outlays	19,100	200	19,300		6,700
Total \$	\$686,400	\$14,200	\$700,600		\$372,200

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	0.2		0.1		0.1
EXCISE TAX EX 2	59,844	1.8		0.9		0.9
EXCISE TAX EX 3	66,012	0.9		0.5		0.5
EXCISE TAX EX 4	72,924	0.2		0.1		0.1
IT B A-JOURNEY	94,728	0.9		0.5		0.2
IT QA-SR IT MGR	120,864	0.1		0.1		
IT SYS ADM-JOURNEY	99,444	0.2		0.1		
MGMT ANALYST4	78,468	0.0		0.0		
TAX POLICY SP 2	80,460	0.1		0.1		
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		4.8	0.1	2.5		1.8

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 458-20-186, titled: "Tax on cigarettes."

This rulemaking would affect cigarette sellers and consumers.

Individual State Agency Fiscal Note

Bill Number: 1417 HB	Title: Cigarette carbon 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:

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: Rachel Harris	Phone: 360-786-7137	Date: 01/20/2025
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 01/22/2025
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/22/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 01/23/2025

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:

(1) In addition to the tax imposed upon the sale, use, consumption, handling, possession, or distribution of cigarettes set forth in RCW 82.24.020 and 82.24.026, there is imposed an embodied carbon tax in an amount equal to \$0.0015 per cigarette, adjusted as provided in subsection (2) of this section.

(2) Beginning October 1, 2030, and every five years thereafter, the rate established in subsection (1) of this section must be increased by 25 percent plus the rate of inflation as measured by the most recently available 12 months of the consumer price index for all urban consumers. The adjusted rate must be rounded to the nearest full cent and published on the department's website.

(3) The revenue collected under this section must be deposited into the general fund.

NEW SECTION. Sec. 2. 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 receipt impact to the agency. This tax is collected by the Department of Revenue.

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.

No impact to the agency. This will raise the cost of the tax stamp on cigarettes which is collected by the Department of Revenue.

This equates to a 3 cent per pack increase on the tax. The current tax on a pack of cigarettes is \$3.025. The agency does not perceive a significant increase in tax evasion for such a small increase in the tax rate.

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.



Multiple Agency Ten-Year Analysis Summary

Bill Number 1417 HB	Title Cigarette carbon 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	704,000	1,649,000	1,610,000	1,562,000	1,516,000	1,775,000	1,859,000	1,795,000	1,734,000	1,675,000	15,879,000
Liquor and Cannabis Board	0	0	0	0	0	0	0	0	0	0	0
Total	704,000	1,649,000	1,610,000	1,562,000	1,516,000	1,775,000	1,859,000	1,795,000	1,734,000	1,675,000	15,879,000



Ten-Year Analysis

Bill Number	Title	Agency
1417 HB	Cigarette carbon 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)

Beginning October 1, 2030, and every five years thereafter, the tax rate must be increased by 25% plus the rate of inflation as measured by the most recently available 12 months of the consumer price index (CPI) for all urban consumers. The adjusted rate must be rounded to the nearest full cent and published on the Department of Revenue (department) website.

Under this bill, the OTP tax on 1.2 ounces (or less) of moist snuff will increase to \$2.551 and for a little cigar to \$0.15275.

Revenues from this new tax must be deposited into the general fund.

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

- A pack of cigarettes costs \$10.14.
- Minimal change to taxable sales of moist snuff and little cigars are expected.
- Wholesale prices of moist snuff and little cigars are expected to be relatively stable.
- Calculated the new rate for fiscal year 2031 using the consumer price index for all urban consumers as stated in the bill.
- The annual growth rate reflects the Economic and Revenue Forecast Council's November 2024 cigarette forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 3.0%.
- The department receives the taxes from monthly taxpayers the month after the business collects the sales tax from the consumer. Most local tax distributions occur the month after the department receives sales and use taxes that businesses collect. This leads to a one-month delay in revenue impacts for the state and a two-month delay in revenue impacts for local jurisdictions.
- This legislation takes effect January 1, 2026, and impacts five months of state collections and four months of local collections in fiscal year 2026.

DATA SOURCES

- Department of Revenue, other tobacco products data
- Department of Revenue, cigarette tax stamps data
- Economic and Revenue Forecast Council, November 2024 CPI and cigarette forecasts

REVENUE ESTIMATES



Ten-Year Analysis

Bill Number	Title	Agency
1417 HB	Cigarette carbon 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)

This bill increases state revenues by an estimated \$704,000 in the five months of impacted collections in fiscal year 2026, and by \$1.6 million in fiscal year 2027, the first year of impacted collections. This bill also decreases local revenues by an estimated \$23,000 in the four months of impacted collections in fiscal year 2026, and by \$63,000 in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

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

FY 2026 - (\$ 23)
 FY 2027 - (\$ 63)
 FY 2028 - (\$ 58)
 FY 2029 - (\$ 53)
 FY 2030 - (\$ 48)
 FY 2031 - (\$ 43)

Agency Preparation: Van Huynh	Phone: 360-534-1512	Date: 1/27/2025 6:37:42 pm
Agency Approval: Marianne McIntosh	Phone: 360-534-1505	Date: 1/27/2025 6:37:42 pm
OFM Review:	Phone:	Date:



Ten-Year Analysis

Bill Number 1417 HB	Title Cigarette carbon 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: 1/22/2025 3:58:40 pm
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 1/22/2025 3:58:40 pm
OFM Review:	Phone:	Date: