

Multiple Agency Fiscal Note Summary

Bill Number: 1307 HB	Title: Child care product sales 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	(121,100,000)	(121,100,000)	(121,300,000)	(183,200,000)	(183,200,000)	(183,490,000)	(197,200,000)	(197,200,000)	(197,520,000)
Total \$	(121,100,000)	(121,100,000)	(121,300,000)	(183,200,000)	(183,200,000)	(183,490,000)	(197,200,000)	(197,200,000)	(197,520,000)

Agency Name	2025-27		2027-29		2029-31	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(52,272,000)		(83,952,000)		(90,387,000)
Local Gov. Total		(52,272,000)		(83,952,000)		(90,387,000)

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	1.7	555,600	555,600	555,600	.3	61,200	61,200	61,200	.3	61,200	61,200	61,200
Total \$	1.7	555,600	555,600	555,600	0.3	61,200	61,200	61,200	0.3	61,200	61,200	61,200

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
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Megan Tudor, OFM	Phone: (360) 890-1722	Date Published: Final 2/ 6/2025
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Department of Revenue Fiscal Note

Bill Number: 1307 HB	Title: Child care product sales 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	(34,600,000)	(86,500,000)	(121,100,000)	(183,200,000)	(197,200,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(60,000)	(140,000)	(200,000)	(290,000)	(320,000)
Total \$	(34,660,000)	(86,640,000)	(121,300,000)	(183,490,000)	(197,520,000)

Estimated Expenditures from:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.1	1.4	1.8	0.3	0.3
GF-STATE-State 001-1	323,300	232,300	555,600	61,200	61,200
Total \$	323,300	232,300	555,600	61,200	61,200

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: Kristina King	Phone: (607) 860-786-7190	Date: 01/27/2025
Agency Preparation: Beth Leech	Phone: (607) 860-534-1513	Date: 01/29/2025
Agency Approval: Marianne McIntosh	Phone: (607) 860-534-1505	Date: 01/29/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/06/2025

Request # 1307-1-1

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:

Diapers for children and adults and other products for young children are generally subject to retail sales and use taxes.

PROPOSAL:

This bill provides a sales and use taxes exemption for the sale of diapers and essential childcare products.

The Department of Revenue (department) must adopt rules to implement this bill and electronically publish a publicly available list of qualifying products.

Diapers means an absorbent garment worn by humans who are incapable of, or have difficulty, controlling their bladder or bowel movements. This includes diapers meant for children and adults.

Essential childcare products means products specifically designed for the use by or care of infants and children under the age of five.

EFFECTIVE DATE:

This bill takes effect on 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 annual growth rate reflects the Economic and Revenue Forecast Council's November 2024 taxable sales and use taxes forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 3.00%.
- 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 revenues for the state and a two-month delay in revenues for local jurisdictions.
- Currently, tribes with compacts receive a share of state sales and use taxes and certain business and occupation taxes (RCW 43.06.523). Additionally, local governments may also receive a portion of state sales and use taxes. Under this legislation the amount of revenue shared with tribes and local governments may decrease.
- This legislation takes effect January 1, 2026, and impacts five months of state collections and four months of local collections in fiscal year 2026.

Streamlined Sales and Use Tax Agreement (SSUTA)

- The department includes grooming and hygiene products and dietary supplements labeled and marketed for the care of a young child under the definition of baby products in this estimate; however, this introduces the risk of non-compliance with SSUTA.
- The department assumes this exemption will be product-based as a deduction. Otherwise, if this exemption is use-based, the department would not be able to implement the exemption requiring an exemption certificate to remain in compliance with SSUTA, which states that for breast pumps, in no case shall the administering agency require an exemption certificate. Therefore, if the department implemented the exemption as use-based, it would need to be in the form of a remittance, which would require nine months for the department to implement.

DATA SOURCES:

- Economic and Revenue Forecast Council, November 2024 forecast
- Bureau of Economic Analysis, US and Washington population
- Bureau of Economic Analysis, Personal consumption expenditures
- Office of Financial Management, Distribution of Washington population by age
- Statista, Sales of baby products by category
- Statista, North American adult diaper market value by type 2014-2025

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$34.7 million in the five months of impacted collections in fiscal year 2026, and by \$86.7 million in fiscal year 2027, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$12.8 million in the four months of impacted collections in fiscal year 2026, and by \$40.0 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

- FY 2026 - (\$ 34,660)
- FY 2027 - (\$ 86,640)
- FY 2028 - (\$ 90,040)
- FY 2029 - (\$ 93,450)
- FY 2030 - (\$ 96,960)
- FY 2031 - (\$ 100,560)

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

- FY 2026 - (\$ 12,800)
- FY 2027 - (\$ 40,000)
- FY 2028 - (\$ 41,600)
- FY 2029 - (\$ 43,200)
- FY 2030 - (\$ 44,800)
- FY 2031 - (\$ 46,500)

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 7,900 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$323,300 in fiscal year 2026. These costs include:

- Labor Costs – Time and effort equate to 2.09 FTEs.
 - Adopt a new administrative rule and amend another.
 - Create two special notices and update relevant information on the department’s website.
 - 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.

- Meet with tribes with revenue-sharing compact agreements to discuss changes that would be appropriate to preserve the intended benefits of the negotiated compact.
- Answer additional phone calls and counter inquiries from businesses, individuals, and accountants regarding tax questions and tax return preparation.

Object Costs - \$45,700.

- Computer system changes, including contract programming.
- Document translation services.
- Travel expenses for meetings with compacting tribes.
- Printing and postage.

SECOND YEAR COSTS:

The department will incur total costs of \$232,300 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 1.4 FTEs.

- 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.
 - Meet with tribes with revenue-sharing compact agreements to discuss changes that would be appropriate to preserve the intended benefits of the negotiated compact.

Object Costs - \$39,500.

- Travel expenses for meetings with compacting tribes.
- Printing and postage

ONGOING COSTS:

Ongoing costs for the 2027-29 biennium equal \$61,200 and include similar activities described in the second-year costs. Time and effort equate to 0.3 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.1	1.4	1.8	0.3	0.3
A-Salaries and Wages	175,600	125,100	300,700	37,200	37,200
B-Employee Benefits	63,300	45,100	108,400	13,400	13,400
C-Professional Service Contracts	4,700		4,700		
E-Goods and Other Services	32,400	20,300	52,700	9,400	9,400
G-Travel	39,100	39,100	78,200		
J-Capital Outlays	8,200	2,700	10,900	1,200	1,200
Total \$	\$323,300	\$232,300	\$555,600	\$61,200	\$61,200

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		
EMS BAND 5	158,451	0.0		0.0		
EXCISE TAX EX 2	59,844	0.2	0.2	0.2	0.2	0.2
EXCISE TAX EX 3	66,012	0.1	0.1	0.1	0.1	0.1
IT B A-JOURNEY	94,728	0.1		0.1		
MGMT ANALYST4	78,468	0.3	0.3	0.3		
TAX INFO SPEC 1	47,988	0.2		0.1		
TAX POLICY SP 2	80,460	0.2		0.1		
TAX POLICY SP 3	91,068	0.3	0.1	0.2		
TAX POLICY SP 4	98,040	0.4	0.4	0.4		
WMS BAND 2	101,410	0.0		0.0		
WMS BAND 3	115,352	0.3	0.3	0.3		
Total FTEs		2.1	1.4	1.8	0.3	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 458-20-18801, titled: "Medical substances, devices, and supplies for humans—Drugs prescribed for human use—Medically prescribed oxygen—Prosthetic devices—Mobility enhancing equipment—Durable medical equipment." and the standard process to adopt WAC 458-20-NEW, titled: "Create a rule on child care product exemption."

This rulemaking would affect taxpayers who sell and purchase child care-related products and diapers (for children and older and/or disabled adults).

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1307 HB

Title: Child care product sales tax

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

Legislation Impacts:

- Cities: decrease in sales tax revenue
- Counties: decrease in sales tax revenue
- Special Districts: decrease in sales tax revenue
- 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 2026	FY 2027	2025-27	2027-29	2029-31
City	(3,823,142)	(11,947,320)	(15,770,462)	(25,328,319)	(27,269,758)
County	(4,713,984)	(14,731,200)	(19,445,184)	(31,230,144)	(33,623,964)
Special District	(4,134,874)	(12,921,480)	(17,056,354)	(27,393,537)	(29,493,278)
TOTAL \$	(12,672,000)	(39,600,000)	(52,272,000)	(83,952,000)	(90,387,000)
GRAND TOTAL \$					(226,611,000)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 01/30/2025
Leg. Committee Contact: Kristina King	Phone: 360-786-7190	Date: 01/27/2025
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/30/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/06/2025

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill would create a sales and use tax exemption for the sale of diapers and essential childcare products, as defined in the bill.

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 would not impact local government expenditures because no action is required.

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.

The exemption created by this bill would decrease local government tax revenue.

According to the Department of Revenue (DOR) this bill would decrease local revenues by an estimated \$12.8 million in the four months of impacted collections in fiscal year 2026, and by \$40.0 million in fiscal year 2027, the first full year of impacted collections. Please see the DOR fiscal note for a complete list of their data sources and assumptions.

TAX REVENUE LOSS BREAKDOWN

Counties:

FY 2026	-\$4,713,984
FY 2027	-\$14,731,200
FY 2028	-\$15,320,448
FY 2029	-\$15,909,696
FY 2030	-\$16,498,944
FY 2031	-\$17,125,020

Cities:

FY 2026	-\$3,823,142
FY 2027	-\$11,947,320
FY 2028	-\$12,425,213
FY 2029	-\$12,903,106
FY 2030	-\$13,380,998
FY 2031	-\$13,888,760

Special Districts:

FY 2026	-\$4,134,874
FY 2027	-\$12,921,480
FY 2028	-\$13,438,339
FY 2029	-\$13,955,198
FY 2030	-\$14,472,058
FY 2031	-\$15,021,220

METHODOLOGY:

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2023. Distributions in 2023 were 37.20 percent to counties, 30.17 percent to cities, and 32.63 percent to special districts. A one percent DOR administrative fee has been deducted from the total.

SOURCES:

Department of Revenue Fiscal Note, HB 1307 (2025)

Department of Revenue Local Tax Distributions (2023)

Local Government Fiscal Note program, Local Sales Tax model (2025)

Local Government Fiscal Note Program “Sales and Use Tax Distribution Model” (2025)