

Multiple Agency Fiscal Note Summary

Bill Number: 1318 HB	Title: Children's diapers 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	(15,100,000)	(15,100,000)	(15,130,000)	(22,800,000)	(22,800,000)	(22,840,000)	(24,700,000)	(24,700,000)	(24,740,000)
Total \$	(15,100,000)	(15,100,000)	(15,130,000)	(22,800,000)	(22,800,000)	(22,840,000)	(24,700,000)	(24,700,000)	(24,740,000)

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		(6,534,000)		(10,494,000)		(11,286,000)
Local Gov. Total		(6,534,000)		(10,494,000)		(11,286,000)

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	1.4	484,800	484,800	484,800	.1	19,400	19,400	19,400	.1	19,400	19,400	19,400
Total \$	1.4	484,800	484,800	484,800	0.1	19,400	19,400	19,400	0.1	19,400	19,400	19,400

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: 1318 HB	Title: Children's diapers sales tax	Agency: 140-Department of Revenue
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Part I: Estimates

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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	(4,300,000)	(10,800,000)	(15,100,000)	(22,800,000)	(24,700,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(10,000)	(20,000)	(30,000)	(40,000)	(40,000)
Total \$	(4,310,000)	(10,820,000)	(15,130,000)	(22,840,000)	(24,740,000)

Estimated Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	1.6	1.3	1.5	0.1	0.1
Account					
GF-STATE-State 001-1	263,700	221,100	484,800	19,400	19,400
Total \$	263,700	221,100	484,800	19,400	19,400

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:

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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.

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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).

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Capital budget impact, complete Part IV.

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Requires new rule making, complete Part V.

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

Request # 1318-1-1

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 are generally subject to retail sales and use tax.

PROPOSAL:

This bill provides a sales and use tax exemption for the sales of diapers.

Diapers means an absorbent garment that is reusable or disposable is marketed to be worn by children, including infants or toddlers, who are incapable of, or have difficulty controlling their bladder or bowel movements.

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 tax 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 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 proposal takes effect January 1, 2026, and impacts five months of state collections and four months of local collections in fiscal year 2026.

DATA SOURCES:

- Economic and Revenue Forecast Council, November 2024 forecast
- Bureau of Economic Analysis, US and Washington population
- Statista, Sales of baby products by category

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$4.3 million in the five months of impacted collections in fiscal year 2026, and by \$10.8 million in fiscal year 2027, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$1.6 million in the four months of impacted collections in fiscal year 2026, and by \$5.0 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):
FY 2026 - (\$ 4,310)
FY 2027 - (\$ 10,820)

FY 2028 - (\$ 11,220)
FY 2029 - (\$ 11,620)
FY 2030 - (\$ 12,120)
FY 2031 - (\$ 12,620)

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

FY 2026 - (\$ 1,600)
FY 2027 - (\$ 5,000)
FY 2028 - (\$ 5,200)
FY 2029 - (\$ 5,400)
FY 2030 - (\$ 5,600)
FY 2031 - (\$ 5,800)

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 2,800 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$263,700 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 1.59 FTEs.

- Create a special notice 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 - \$43,900.

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

SECOND YEAR COSTS:

The department will incur total costs of \$221,100 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 1.3 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.

Request # 1318-1-1

Object Costs - \$39,000.
 - Travel expenses for meetings with compacting tribes.

ONGOING COSTS:

Ongoing costs for the 2027-29 biennium equal \$19,400 and include similar activities described in the second-year costs. Time and effort equate to 0.1 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	1.6	1.3	1.5	0.1	0.1
A-Salaries and Wages	139,700	118,500	258,200	12,000	12,000
B-Employee Benefits	50,300	42,700	93,000	4,400	4,400
C-Professional Service Contracts	4,700		4,700		
E-Goods and Other Services	23,700	18,400	42,100	2,600	2,600
G-Travel	39,000	39,000	78,000		
J-Capital Outlays	6,300	2,500	8,800	400	400
Total \$	\$263,700	\$221,100	\$484,800	\$19,400	\$19,400

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
EXCISE TAX EX 2	59,844	0.2	0.2	0.2	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	0.1		0.1		
TAX POLICY SP 2	80,460	0.1		0.0		
TAX POLICY SP 3	91,068	0.1	0.1	0.1		
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		1.6	1.3	1.5	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

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1318 HB	Title: Children's diapers sales tax
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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	(477,893)	(1,493,415)	(1,971,308)	(3,166,040)	(3,404,986)
County	(589,248)	(1,841,400)	(2,430,648)	(3,903,768)	(4,198,392)
Special District	(516,859)	(1,615,185)	(2,132,044)	(3,424,192)	(3,682,622)
TOTAL \$	(1,584,000)	(4,950,000)	(6,534,000)	(10,494,000)	(11,286,000)
GRAND TOTAL \$					(28,314,000)

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, 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 \$1.6 million in the four months of impacted collections in fiscal year 2026, and by \$5.0 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	-\$589,248
FY 2027	-\$1,841,400
FY 2028	-\$1,915,056
FY 2029	-\$1,988,712
FY 2030	-\$2,062,368
FY 2031	-\$2,136,024

Cities:

FY 2026	-\$477,893
FY 2027	-\$1,493,415
FY 2028	-\$1,553,152
FY 2029	-\$1,612,888
FY 2030	-\$1,672,625
FY 2031	-\$1,732,361

Special Districts:

FY 2026	-\$516,859
FY 2027	-\$1,615,185
FY 2028	-\$1,679,792
FY 2029	-\$1,744,400
FY 2030	-\$1,809,007
FY 2031	-\$1,873,615

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 1318 (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)