

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1340 HB	<b>Title:</b> Prepared food 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	(1,801,000,000)	(1,801,000,000)	(1,804,000,000)	(2,066,000,000)	(2,066,000,000)	(2,070,000,000)	(2,185,000,000)	(2,185,000,000)	(2,189,000,000)
<b>Total \$</b>	<b>(1,801,000,000)</b>	<b>(1,801,000,000)</b>	<b>(1,804,000,000)</b>	<b>(2,066,000,000)</b>	<b>(2,066,000,000)</b>	<b>(2,070,000,000)</b>	<b>(2,185,000,000)</b>	<b>(2,185,000,000)</b>	<b>(2,189,000,000)</b>

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		(796,000,000)		(956,000,000)		(1,011,000,000)
Local Gov. Total		(796,000,000)		(956,000,000)		(1,011,000,000)

## 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	2.2	643,400	643,400	643,400	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>2.2</b>	<b>643,400</b>	<b>643,400</b>	<b>643,400</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 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
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

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

<b>Bill Number:</b> 1340 HB	<b>Title:</b> Prepared food sales tax	<b>Agency:</b> 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	(807,000,000)	(994,000,000)	(1,801,000,000)	(2,066,000,000)	(2,185,000,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(1,000,000)	(2,000,000)	(3,000,000)	(4,000,000)	(4,000,000)
<b>Total \$</b>	(808,000,000)	(996,000,000)	(1,804,000,000)	(2,070,000,000)	(2,189,000,000)

### Estimated Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.9	1.4	2.2		
<b>Account</b>					
GF-STATE-State 001-1	419,300	224,100	643,400		
<b>Total \$</b>	419,300	224,100	643,400		

### 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: 01/30/2025
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 01/30/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/06/2025

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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:

Generally, sales and use taxes apply to prepared food.

Prepared food means heated foods, combined foods, or foods sold with utensils provided by the seller. Prepared foods exclude:

- Food sold by a seller whose primary classification is manufacturing.
- Food sold in an unheated state as a single item.
- Bakery items.

PROPOSAL:

This bill exempts the sales of prepared foods from sales tax.

EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session.

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 prepared food annual growth rate reflects the S&P Global Market Intelligence November 2024 food and beverages consumption forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 3.00%.
- The Department of Revenue (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.
- Currently, tribes with compacts receive a share of state sales and use taxes and certain business and occupation taxes (RCW 43.06.523). Under this legislation, the amount of revenue shared with tribes will decrease.
- This legislation takes effect July 25, 2025. The department will implement the necessary changes on August 1, 2025, so this legislation impacts 10 months of state collections and nine months of local collections in fiscal year 2026.

DATA SOURCES

- Economic and Revenue Forecast Council, November 2024 forecast
- US Census Bureau, US and Washington Population
- Statista, Food service and drinking place sales in the U.S.
- Statista, U.S. total deli department sales

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$808 million in the 10 months of impacted collections in fiscal year 2026, and by \$996 million in fiscal year 2027, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$336 million in the nine months of impacted collections in fiscal year 2026, and by \$460 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 - (\$ 808,000)  
FY 2027 - (\$ 996,000)  
FY 2028 - (\$ 1,022,000)  
FY 2029 - (\$ 1,048,000)  
FY 2030 - (\$ 1,078,000)  
FY 2031 - (\$ 1,111,000)

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

FY 2026 - (\$ 336,000)  
FY 2027 - (\$ 460,000)  
FY 2028 - (\$ 472,000)  
FY 2029 - (\$ 484,000)  
FY 2030 - (\$ 498,000)  
FY 2031 - (\$ 513,000)

## 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 estimate affects 23,000 taxpayers.

### FIRST YEAR COSTS:

The department will incur total costs of \$419,300 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 2.94 FTEs.

- Amend seven administrative rules.
- Amend four excise tax advisories.
- Create special notice and update relevant information on the department's website.
- Prepare letter rulings and formal written responses to taxpayer inquiries.
- Answer additional phone calls and counter inquiries from businesses, individuals, and accountants regarding tax questions and tax return preparation.
- 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 - \$41,500.

- Travel expenses for meetings with compacting tribes.
- Purchase one additional agent seat license for the Telephone Information Center.
- Printing and postage.

### SECOND YEAR COSTS:

The department will incur total costs of \$224,100 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 1.4 FTEs.

- Answer additional phone calls and counter inquiries from businesses, individuals, and accountants regarding tax questions

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and tax return preparation.

- 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 - \$39,100.

- Travel expenses for meetings with compacting tribes.

#### ONGOING COSTS:

There are no ongoing costs.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	2.9	1.4	2.2		
A-Salaries and Wages	237,700	119,600	357,300		
B-Employee Benefits	85,500	43,100	128,600		
E-Goods and Other Services	45,300	19,600	64,900		
G-Travel	39,100	39,100	78,200		
J-Capital Outlays	11,700	2,700	14,400		
<b>Total \$</b>	<b>\$419,300</b>	<b>\$224,100</b>	<b>\$643,400</b>		

**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	0.1	0.2		
EXCISE TAX EX 3	66,012	0.2	0.1	0.2		
MGMT ANALYST4	78,468	0.4	0.3	0.3		
TAX INFO SPEC 1	47,988	0.5	0.2	0.4		
TAX POLICY SP 2	80,460	0.5		0.3		
TAX POLICY SP 3	91,068	0.4		0.2		
TAX POLICY SP 4	98,040	0.5	0.4	0.4		
WMS BAND 2	101,410	0.0		0.0		
WMS BAND 3	115,352	0.3	0.3	0.3		
<b>Total FTEs</b>		<b>2.9</b>	<b>1.4</b>	<b>2.2</b>		

#### III. C - Expenditures By Program (optional)

NONE

### Part IV: Capital Budget Impact

#### IV. A - Capital Budget Expenditures

NONE

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#### **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 458-20-168, titled: "Hospitals, nursing homes, assisted living facilities, adult homes and similar health care facilities."

WAC 458-20-246, titled: "Sales to or through a direct seller."

WAC 458-20-12401, titled: "Special stadium sales and use tax."

WAC 458-20-167, titled: "Educational institutions, school districts, student organizations, and private schools."

The department will also use the standard process to amend:

WAC 458-20-119, titled: "Sales by caterers and food service contractors."

WAC 458-20-124, titled: "Restaurants, cocktail bars, taverns and similar businesses."

WAC 458-20-244, titled: Food and food ingredients."

This rulemaking would affect businesses that sell and consumers that purchase prepared foods, food, and food ingredients.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 1340 HB	<b>Title:</b> Prepared food sales tax
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## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- ☒ Cities: sales and use tax revenue loss
- ☒ Counties: sales and use tax revenue loss
- ☒ Special Districts: sales and use tax revenue loss
- ☐ 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	(101,371,200)	(138,782,000)	(240,153,200)	(288,425,200)	(305,018,700)
County	(124,992,000)	(171,120,000)	(296,112,000)	(355,632,000)	(376,092,000)
Special District	(109,636,800)	(150,098,000)	(259,734,800)	(311,942,800)	(329,889,300)
<b>TOTAL \$</b>	(336,000,000)	(460,000,000)	(796,000,000)	(956,000,000)	(1,011,000,000)
<b>GRAND TOTAL \$</b>					(2,763,000,000)

### Estimated expenditure impacts to:

None

## Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 01/31/2025
Leg. Committee Contact: Kristina King	Phone: 360-786-7190	Date: 01/27/2025
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/31/2025
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 expands an existing sales tax exemption of the sale of food and food ingredients to include the sale of “prepared foods.” “Prepared foods” is defined.

### 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 will not impact local government expenditures.

### 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.*

According to the Washington State Dept. of Revenue, this bill decreases local revenues by an estimated \$336 million in the nine months of impacted collections in fiscal year 2026, and by \$460 million in fiscal year 2027, the first full year of impacted collections.

#### COUNTIES

FY 2026	-\$124,992,000
FY 2027	-\$171,120,000
FY 2028	-\$175,584,000
FY 2029	-\$180,048,000
FY 2030	-\$185,256,000
FY 2031	-\$190,836,000

#### CITIES

FY 2026	-\$101,371,200
FY 2027	-\$138,782,000
FY 2028	-\$142,402,400
FY 2029	-\$146,022,800
FY 2030	-\$150,246,600
FY 2031	-\$154,772,100

#### SPECIAL DISTRICTS

FY 2026	-\$109,636,800
FY 2027	-\$150,098,000
FY 2028	-\$154,013,600
FY 2029	-\$157,929,200
FY 2030	-\$162,497,400
FY 2031	-\$167,391,900

#### 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.

#### SOURCES

- Department of Revenue Fiscal Note
- Department of Revenue Local Tax Distributions