

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1384 HB	<b>Title:</b> Winery tax exemption
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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
Liquor and Cannabis Board	(3,657,104)	(3,657,104)	(3,657,104)	(3,657,104)	(3,657,104)	(3,657,104)	(3,657,104)	(3,657,104)	(3,657,104)
<b>Total \$</b>	<b>(3,657,104)</b>	<b>(3,657,104)</b>	<b>(3,657,104)</b>	<b>(3,657,104)</b>	<b>(3,657,104)</b>	<b>(3,657,104)</b>	<b>(3,657,104)</b>	<b>(3,657,104)</b>	<b>(3,657,104)</b>

## 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
Joint Legislative Audit and Review Committee	.0	0	0	15,100	.0	0	0	10,200	.0	0	0	10,200
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	.0	0	0	210,000	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>225,100</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>10,200</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>10,200</b>

## Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
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
<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

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**Date Published:**  
Final 2/13/2025

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1384 HB	<b>Title:</b> Winery tax exemption	<b>Agency:</b> 014-Joint Legislative Audit and Review Committee
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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
<b>Account</b>					
Performance Audits of Government Account-State 553-1	10,000	5,100	15,100	10,200	10,200
<b>Total \$</b>	10,000	5,100	15,100	10,200	10,200

### 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: 360-786-7137	Date: 01/17/2025
Agency Preparation: Zack Freeman	Phone: 360-786-5179	Date: 01/23/2025
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 01/23/2025
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 01/24/2025

## 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.*

HB 1384 provides creates a preferential tax rate for wineries that sell less than 20,000 gallons of table wine or cider in a calendar year:

- With the tax preference, the total tax rates for table wine and cider are 5.53 and 5.33 cents per liter, respectively.
- Current law taxes table wine at 22.92 cents per liter and cider at 8.14 cents per liter.

The bill does not provide an expiration date for the new tax preference.

#### Tax Preference Performance Statement

The Legislature categorizes the tax preference as one intended to provide tax relief to certain businesses and individuals and to create or retain jobs.

The Legislature's specific public policy objective is to promote the development of small wineries and the jobs they provide

The Legislature intends to extend the preference if JLARC's review finds the preferences has accomplished its goal of promoting small wineries, as measured by increases in:

- the number of Washington wineries; or
- the number of wine industry jobs; or
- wine excise taxes collected.

JLARC is directed to compare these metrics to the end of fiscal year 2024.

### 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.*

### 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.*

After the bill is signed, JLARC staff will work with the Department of Revenue and relevant agencies to identify the data JLARC staff will need to complete the evaluation.

The bill does not provide an expiration date, so JLARC staff assume the preference would expire automatically on January 1, 2036. JLARC anticipates it will review this preference in 2033. This is outside the range of this fiscal note. As a result, the fiscal note reflects the costs to prepare for the future review (e.g., establishing data collection). It does not include the costs of performing the full review.

JLARC assumes the cost to complete the audit will be only staff costs. JLARC estimates this audit will take 14 months and require an average of 0.1 FTEs per month. This equates to total staff costs of about \$35,500.

JLARC assumes that the office will absorb the staff costs of this tax preference review in our base budget. However, if the workload of other tax preference legislation exceeds our staffing levels and/or our base budget, we will require additional staffing resources equal to the costs shown above.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
553-1	Performance Audits of Government Account	State	10,000	5,100	15,100	10,200	10,200
<b>Total \$</b>			10,000	5,100	15,100	10,200	10,200

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

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years					
A-Salaries and Wages	6,500	3,300	9,800	6,600	6,600
B-Employee Benefits	2,100	1,000	3,100	2,000	2,000
C-Professional Service Contracts					
E-Goods and Other Services	1,300	700	2,000	1,400	1,400
G-Travel	100	100	200	200	200
J-Capital Outlays					
<b>Total \$</b>	10,000	5,100	15,100	10,200	10,200

### 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
Research Analyst	139,776					
Support staff	110,556					
<b>Total FTEs</b>						0.0

### 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.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1384 HB	<b>Title:</b> Winery tax exemption	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated 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:

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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).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Rachelle Harris	Phone: 60-786-7137	Date: 01/17/2025
Agency Preparation: Anna Yamada	Phone: 60-534-1519	Date: 01/20/2025
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 01/20/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/13/2025

Request # 1384-1-1

## 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:

Wineries pay the wine tax, an excise tax on wine and cider sold to distributors, directly to consumers on the winery premises, and direct shipments to consumers and retailers.

For table wine, the tax rate includes a base rate of 20.25 cents per liter and additional taxes of 2.67 cents per liter (a total of 22.92 cents per liter), and for cider, a base rate of 3.59 cents per liter and additional taxes of 4.55 cents per liter (a total of 8.14 cents per liter).

The Liquor and Cannabis Board (LCB) administers the wine tax.

#### PROPOSAL

The Department of Revenue (department) does not administer the wine tax; thus, no sections of this bill impact the department.

#### 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.*

This legislation results in no revenue impact on taxes administered by the department.

### 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.*

The department will not incur any costs with the implementation of this legislation.

## Part III: Expenditure Detail

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

NONE

**III. B - Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

### 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**

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1384 HB	<b>Title:</b> Winery tax exemption	<b>Agency:</b> 195-Liquor and Cannabis Board
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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
General Fund-State 001-1	(1,828,552)	(1,828,552)	(3,657,104)	(3,657,104)	(3,657,104)
<b>Total \$</b>	(1,828,552)	(1,828,552)	(3,657,104)	(3,657,104)	(3,657,104)

### Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
<b>Account</b>					
Liquor Revolving Account-State 501-1	210,000	0	210,000	0	0
<b>Total \$</b>	210,000	0	210,000	0	0

### Estimated Capital Budget Impact:

NONE

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Check applicable boxes and follow corresponding instructions:

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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).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Rachele Harris	Phone: 360-786-7137	Date: 01/17/2025
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 01/28/2025
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 01/28/2025
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 01/31/2025

## 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.*

Section 1 (1)(d) Any winery that sells less than 20,000 gallons of table wine or cider in a calendar year is:

- (i) Subject to tax at a rate of \$0.0528 per liter for table wine or cider; and
- (ii) Not subject to any other taxes under this section except for taxes imposed under subsection (3) of this section for the Washington wine commission.

Section 1 (1)(e) Taxes collected pursuant to (d) of this subsection (1) must be deposited in the liquor revolving fund and are subject to the allocation to Washington State University in RCW 66.08.180(4).

### 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.*

Revenue loss per year is calculated at \$1,828,551.57 in reduced wine tax revenue based on the following assumptions:

- "Winery" as defined in RCW 66.04.010 (52) is "a business conducted by any person for the manufacture of wine for sale, other than a domestic winery." The tax exemption is assumed to apply to Domestic Winery, Certificate of Approval Holder (COA) and Wine Shipper to Consumer licenses.
- "Winery" is assumed to be an individually licensed location. Qualified wineries under common ownership will each receive the 20,000-gallon exemption.
- "20,000 gallons" refers to total taxable wine sales of table wine AND cider in Washington, including wholesale to Washington distributors. Does not include exports from the state.
- "Table wine" as defined in RCW 66.04.010 (49)(a) includes non-fortified wine but does not include fortified wine.

### 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.*

INFORMATION TECHNOLOGY DIVISION:

There will be one-time costs in FY26 of \$210,000 in vendor costs to modify the current beer & wine system.

## 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	210,000	0	210,000	0	0
<b>Total \$</b>			210,000	0	210,000	0	0

**III. B - Expenditures by Object Or Purpose**

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services	210,000		210,000		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	210,000	0	210,000	0	0

**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)**

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
INFORMATION TECHNOLOGY DIVISION (070)	210,000		210,000		
<b>Total \$</b>	210,000		210,000		

**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.*