

Multiple Agency Fiscal Note Summary

Bill Number: 5070 SB	Title: Interchange fees on tips
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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
Office of Attorney General	0	0	26,000	0	0	74,000	0	0	74,000
Office of Administrative Hearings	0	0	86,000	0	0	86,000	0	0	86,000
Department of Revenue	(3,900,000)	(4,400,000)	(4,400,000)	(9,000,000)	(10,200,000)	(10,200,000)	(9,600,000)	(10,900,000)	(10,900,000)
Total \$	(3,900,000)	(4,400,000)	(4,288,000)	(9,000,000)	(10,200,000)	(10,040,000)	(9,600,000)	(10,900,000)	(10,740,000)

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
Office of Attorney General	.5	32,000	32,000	58,000	.6	32,000	32,000	106,000	.6	32,000	32,000	106,000
Department of Financial Institutions	.0	0	0	0	.0	0	0	0	.0	0	0	0
Office of Administrative Hearings	.2	0	0	86,000	.2	0	0	86,000	.2	0	0	86,000
Department of Revenue	.1	22,500	22,500	22,500	.0	0	0	0	.0	0	0	0
Board of Industrial Insurance Appeals	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Labor and Industries	.8	0	0	616,000	1.5	0	0	498,000	1.5	0	0	498,000
Total \$	1.6	54,500	54,500	782,500	2.3	32,000	32,000	690,000	2.3	32,000	32,000	690,000

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Department of Financial Institutions	.0	0	0	.0	0	0	.0	0	0
Office of Administrative Hearings	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Board of Industrial Insurance Appeals	.0	0	0	.0	0	0	.0	0	0
Department of Labor and Industries	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2025-27			2027-29			2029-31		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total

Estimated Capital Budget Breakout

Prepared by: Megan Tudor, OFM	Phone: (360) 890-1722	Date Published: Revised 2/20/2025
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Individual State Agency Fiscal Note

Bill Number: 5070 SB	Title: Interchange fees on tips	Agency: 100-Office of Attorney General
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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
Legal Services Revolving Account-State 405-1	6,000	20,000	26,000	74,000	74,000
Total \$	6,000	20,000	26,000	74,000	74,000

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.5	0.5	0.5	0.6	0.6
Account					
General Fund-State 001-1	16,000	16,000	32,000	32,000	32,000
Legal Services Revolving Account-State 405-1	6,000	20,000	26,000	74,000	74,000
Total \$	22,000	36,000	58,000	106,000	106,000

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: Marlon Llanes	Phone: 360-786-7423	Date: 01/16/2025
Agency Preparation: Amy Flanigan	Phone: 509-456-3123	Date: 01/27/2025
Agency Approval: Leah Snow	Phone: 360-586-2104	Date: 01/27/2025
OFM Review: Rayanna Evans	Phone: (360) 902-0553	Date: 01/28/2025

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: New Section. Legislative findings.

Section 2: New Section. Definitions.

Section 3: New Section. Prohibits credit card networks, banks, or processors from charging a fee on tips or gratuities if they are told that part of the transaction. Sets up how a merchant who does not submit tax or gratuity amounts can submit tax documentation. Prohibits increasing fees by increasing the rate of fees attributable to taxes or other fees. Networks have two years to provide mechanisms for merchants to transmit tax or gratuities as part of transactions.

Section 4: Amends RCW 49.46.020 by removing sections that refer to requirements for prior years. Adds language prohibiting employers from reducing tips by any fees charged.

Section 5: New Section. Imposes civil penalties to be paid to the Department of Labor and Industries (L&I) for deposit into pension fund. Prohibits disseminating electronic payment data. A violation of this act constitutes a violation of the Consumer Protection Act (CPA).

Section 6: New Section. Effective dates July 1, 2026.

Section 7: New Section. Sections 1 through 3, Section 5, and Section 6 of this act constitutes a new chapter in Title 19 RCW.

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.

Cash receipts are assumed to equal the Legal Services Revolving Account (LSRA) cost estimates. These will be billed through the revolving account to the client agency.

The client agency is the Department of Labor and Industries (L&I). The Attorney General’s Office (AGO) will bill all clients for legal services rendered.

These cash receipts represent the AGO’s authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agency’s fiscal note. Appropriation authority is necessary in the AGO budget.

AGO AGENCY ASSUMPTIONS:

L&I will be billed for King County rates:

FY 2026: \$6,000 for 0.1 Assistant Attorney General FTE (AAG), 0.1 Paralegal 2 (PL2), and 0.1 Paralegal 1 FTE (PL1)

FY 2027: \$20,000 for 0.1 AAG, 0.1 PL2, and 0.1 PL1

FY 2028 and in each FY thereafter: \$37,000 for 0.1 AAG, 0.1 PL2, and 0.1 PL1

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.

Attorney General’s Office (AGO) Agency Assumptions:

Legal services associated with the enactment of this bill will begin on July 1, 2026 (FY 2027).

Location of staffing is assumed to be in a King County office building.

Total workload impact in this request includes standard assumption costs for goods & services, travel, and capital outlays for all FTE identified.

Agency administration support FTE are included in the tables. The Management Analyst 5 FTE (MA) is used as a representative classification. An example ratio is for every 1.0 Assistant Attorney General FTE (AAG), the AGO includes 0.5 Paralegal 1 FTE (PL1) and 0.4 MA.

1. Assumptions for the AGO Consumer Protection Division (CPR) Legal Services:

CPR activities are funded with General Fund-State dollars. There is no appropriate client agency to bill for legal services. This bill creates a data minimization requirement for electronic payment transaction data and makes violations per se violations of the Consumer Protection Act (CPA). CPR anticipates enforcement activity would take place in conjunction with CPR actions addressing other issues related to data privacy and electronic transactions. AAG duties will include investigating potential violations, drawing conclusions from investigations, drafting Civil Investigative Demands (CID), and discovery requests. PL1 and Paralegal 2 FTE (PL2) duties will include managing documents, drafting CID, discovery requests, and managing responses. Senior Investigator (INV) duties will include interviewing witnesses, reviewing investigative records and attending to other investigative tasks as assigned.

CPR: Total King County workload impact:

FY 2026 and in each FY thereafter: \$16,000 for 0.1 AAG, 0.1 INV, 0.1 PL2, and 0.1 PL1

2. Assumptions for the AGO Labor and Industries Division (LNI) Legal Services for the Department of Labor and Industries (L&I):

The AGO will bill L&I for legal services based on the enactment of this bill. Additional legal work will be generated due to an increase in appeals when the law becomes effective July 1, 2026. Historically, 14 percent of complaints result in an appealable order. Historically, 14 percent of Employment Standards complaints result in an appealable order. With the expanded protections, 236 new complaints per year are expected. 14 percent of 236 is 33 complaints per year expected to result in an appealable order (citations). Based on this historical average, the AGO will receive seven additional appeals per year going to Office of Administrative Hearings (OAH) and litigated by AAGs. Appeals of this complexity generally require 0.2 FTE per ten appeals. This will require a total of 0.1 AAG and 0.1 PL1 related to litigation on an ongoing basis beginning January 1, 2027. There will be a six-month delay between when the first complaints are received and when appeals occur.

LNI: Total King County workload impact:

FY 2026: \$6,000 for 0.1 AAG, 0.1 PL2, and 0.1 PL1

FY 2027: \$20,000 for 0.1 AAG, 0.1 PL2, and 0.1 PL1

FY 2028 and in each FY thereafter: \$37,000 for 0.1 AAG, 0.1 PL2, and 0.1 PL1

3. The AGO Government Compliance & Enforcement Division (GCE) has reviewed this bill and determined it will not increase or decrease the division's workload in representing the Department of Financial Institutions (DFI). This bill would create additional requirements for employers and financial entities, neither DFI nor GCE anticipates any new advice requests or increase in litigation if this bill is enacted. Therefore, no costs are included in this request.

Total King County workload impact:

FY 2026: \$22,000 for 0.1 AAG, 0.1 INV, 0.1 PL2, and 0.1 PL1

FY 2027: \$36,000 for 0.1 AAG, 0.1 INV, 0.1 PL2, and 0.1 PL1

FY 2028 and in each FY thereafter: \$53,000 for 0.2 AAG, 0.1 INV, 0.1 PL2, and 0.1 PL1

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
001-1	General Fund	State	16,000	16,000	32,000	32,000	32,000
405-1	Legal Services Revolving Account	State	6,000	20,000	26,000	74,000	74,000
Total \$			22,000	36,000	58,000	106,000	106,000

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.5	0.5	0.5	0.6	0.6
A-Salaries and Wages	15,000	25,000	40,000	72,000	72,000
B-Employee Benefits	4,000	7,000	11,000	22,000	22,000
C-Professional Service Contracts					
E-Goods and Other Services	3,000	4,000	7,000	12,000	12,000
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-					
Total \$	22,000	36,000	58,000	106,000	106,000

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
Assistant Attorney General-King County	139,558	0.1	0.1	0.1	0.2	0.2
Management Analyst 5	98,040	0.1	0.1	0.1	0.1	0.1
Paralegal 1-King County	74,700	0.1	0.1	0.1	0.1	0.1
Paralegal 2-King County	82,392	0.1	0.1	0.1	0.1	0.1
Senior Investigator-King County	108,156	0.1	0.1	0.1	0.1	0.1
Total FTEs		0.5	0.5	0.5	0.6	0.6

III. D - Expenditures By Program (optional)

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Consumer Protection Division (CPR)	16,000	16,000	32,000	32,000	32,000
Labor & Industries Division (LNI)	6,000	20,000	26,000	74,000	74,000
Total \$	22,000	36,000	58,000	106,000	106,000

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.

Individual State Agency Fiscal Note

Bill Number: 5070 SB	Title: Interchange fees on tips	Agency: 102-Department of Financial Institutions
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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: Marlon Llanes	Phone: 360-786-7423	Date: 01/16/2025
Agency Preparation: Cale Zimmerman	Phone: (360) 902-0507	Date: 01/22/2025
Agency Approval: Emily Fitzgerald	Phone: (360) 902-8780	Date: 01/22/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	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.

This bill prohibits the charging or receiving of merchant interchange fees on the sales tax, use tax, or gratuity portion of an electronic payment.

This legislation would not impact the way the Department of Financial Institutions (DFI) regulates state-chartered banks and credit unions. This bill adds no new responsibilities to DFI's regulatory role, and therefore, has no fiscal impact.

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.

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.

Individual State Agency Fiscal Note

Bill Number: 5070 SB	Title: Interchange fees on tips	Agency: 110-Office of Administrative Hearings
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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
Administrative Hearings Revolving Account-State 484-1	43,000	43,000	86,000	86,000	86,000
Total \$	43,000	43,000	86,000	86,000	86,000

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.2	0.2	0.2	0.2	0.2
Account					
Administrative Hearings Revolving Account-State 484-1	43,000	43,000	86,000	86,000	86,000
Total \$	43,000	43,000	86,000	86,000	86,000

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: Marlon Llanes	Phone: 360-786-7423	Date: 01/16/2025
Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 01/27/2025
Agency Approval: Rob Cotton	Phone: 360-407-2708	Date: 01/27/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 01/29/2025

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) and Section 4(2)(b) prohibit employers from deducting credit card transaction fees from employee credit card tips. These are subject to citation and appeal per RCW 49.48.

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.

As a central service agency, the Office of Administrative Hearings (OAH) bills referring agencies for its costs and collects the revenue into the Administrative Hearings Revolving Account. Cash receipts are assumed to equal costs. OAH will bill the Department of Labor & Industries for the costs related to this proposed legislation.

These cash receipts represent the OAH's authority to bill and are not a direct appropriation to OAH. Appropriation authority is necessary in OAH's budget.

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 of Labor & Industries estimates that the proposed legislation will result in 13 new appeals being referred to the Office of Administrative Hearings (OAH) per fiscal year beginning in FY 2026. On average, each appeal is expected to take approximately eight hours of Line Administrative Law Judge (ALJ) time including prehearing conferences, hearings, order writings, etc.

OAH Agency Workforce Assumptions:

- (1) 1.0 Line ALJ will include cost and FTE for 0.15 Senior ALJ (SALJ), 0.15 Lead ALJ (LALJ), 0.6 Legal Assistant 2 (LA2) (Range 40 step L), and 0.25 administrative support represented as a Management Analyst 5 (MA5) (Range 64 Step L).
- (2) ALJ salary is based on the ALJ collective bargaining agreement and assumed to be at step L. (Line ALJ-range 70, Senior ALJ-range 76, Lead ALJ-range 73).
- (3) Benefit rates were analyzed by job class and projected using the latest benefit information available.
- (4) Goods and services, travel and on-going capital outlays were projected based on historical data for each of the job classifications.
- (5) Salary projections are based on the current FY 2025 salary tables.

Total workload impact: FY 2026 and in each FY thereafter: 0.13 ALJ and 0.08 LA2 at a total cost is rounded to \$43,000 per FY.

This bill is assumed effective 90 days after the end of the 2025 legislative session.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
484-1	Administrative Hearings Revolving Account	State	43,000	43,000	86,000	86,000	86,000
Total \$			43,000	43,000	86,000	86,000	86,000

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.2	0.2	0.2	0.2	0.2
A-Salaries and Wages	27,000	27,000	54,000	54,000	54,000
B-Employee Benefits	9,000	9,000	18,000	18,000	18,000
C-Professional Service Contracts					
E-Goods and Other Services	7,000	7,000	14,000	14,000	14,000
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-					
Total \$	43,000	43,000	86,000	86,000	86,000

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
Administrative Law Judge	113,712	0.1	0.1	0.1	0.1	0.1
Legal Assistant 2	55,584	0.1	0.1	0.1	0.1	0.1
Total FTEs		0.2	0.2	0.2	0.2	0.2

III. D - Expenditures By Program (optional)

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Regulatory & Education (REG)	43,000	43,000	86,000	86,000	86,000
Total \$	43,000	43,000	86,000	86,000	86,000

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.

Department of Revenue Fiscal Note

Bill Number: 5070 SB	Title: Interchange fees on tips	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 05 - Bus and Occup Tax		(3,900,000)	(3,900,000)	(9,000,000)	(9,600,000)
Workforce Education Investment Account-State 01 - Taxes 05 - Bus and Occup Tax		(500,000)	(500,000)	(1,200,000)	(1,300,000)
Total \$		(4,400,000)	(4,400,000)	(10,200,000)	(10,900,000)

Estimated Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.1	0.2	0.1		
Account					
GF-STATE-State 001-1	7,700	14,800	22,500		
Total \$	7,700	14,800	22,500		

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: Marlon Llanes	Phone: (360) 786-7423	Date: 01/16/2025
Agency Preparation: Melissa Howes	Phone: (360) 534-1518	Date: 02/18/2025
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 02/18/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/20/2025

Request # 5070-1-1

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.

This fiscal note only addresses sections 2, 3, and 6 of the bill, which impact the Department of Revenue (department).

CURRENT LAW:

Merchants charge interchange fees on the full amount of credit, debit, or prepaid card transactions. The business's gross income includes the charges, and business and occupation (B&O) tax applies to this income under the service and other activities classification.

PROPOSAL:

This bill prohibits issuers, payment card networks, acquirer banks, and processors from charging merchants interchange fees on an electronic payment transaction's state and local sales tax or gratuity amount if the merchant provides the data necessary to identify the tax or gratuity amount.

If a merchant does not provide the data needed to identify the tax or gratuity amount, they have 180 days from the transaction date to provide tax documentation to the acquirer bank or its designee and receive credit for the interchange fees charged on the tax or gratuity amount.

Within two years of this bill's effective date, payment card networks must provide a mechanism for merchants to transmit tax or gratuity data as part of an electronic payment transaction, which allows acquirer banks to exclude those amounts from interchange fees charged.

EFFECTIVE DATE:

This bill takes effect on July 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:

- This bill prohibits merchants interchange fees on the portion of the payment for:
 - Taxes, which represent an estimated \$4.4 million in fiscal year 2028, the first full year of impacted collections.
 - Tips, which represent an estimated \$0.6 million in the fiscal year 2028, the first full year of impacted collections.
- The portion of retail transactions paid with a prepaid, credit, or debit card is 70%.
- The average interchange fee charged on tips or sales tax is 2.21%.
- The IRS estimated that \$38 billion in tips were reported on W2s. This estimate assumes all of this tip income is from voluntary gratuities.
- Washington's portion of the estimated tip income is 2.86%.
- Approximately 10% of the revenue impact from this proposal is due to the removal of interchange fees on tips, and the remaining 90% is due to the removal of interchange fees on sales tax.
- The B&O tax impact is calculated using a 1.7% effective service and other activities tax classification rate. Of that amount, 11.9% is deposited into the Workforce Education Investment Account.
- The annual growth rate for tips reflects the Economic and Revenue Forecast Council's November 2024 real personal income forecast.
- The annual growth rate for retail sales tax reflects the Economic and Revenue Forecast Council's November 2024 retail sales tax forecast.
- This legislation takes effect July 1, 2026, and impacts 11 months of collections in fiscal year 2027.

Request # 5070-1-1

DATA SOURCES:

- IRS, SOI Tax State- Adjusted Gross Income (AGI) Percentile Data by State
- Taxation of Tip Income. (2024, October 28). Congressional Research Service. Retrieved January 14, 2025, from <https://crsreports.congress.gov/product/pdf/IF/IF12728>
- How Credit Card Processing Works. Carat. Retrieved January 14, 2025, from <https://www.carat.fiserv.com/en-us/resources/credit-card-processing/>
- Caporal, Jack. (2024, December 10). Average Credit Card Processing Fees and Costs, 2024. Motley Fool Money. Retrieved December 10, 2024, from <https://www.fool.com/money/research/average-credit-card-processing-fees-costs-america/>
- Economic and Revenue Forecast Council, November 2024 forecast

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$4.4 million in the 11 months of impacted collections in fiscal year 2027, and by \$5 million in fiscal year 2028, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 0
FY 2027 -	(\$ 4,400)
FY 2028 -	(\$ 5,000)
FY 2029 -	(\$ 5,200)
FY 2030 -	(\$ 5,300)
FY 2031 -	(\$ 5,600)

Local Government, if applicable (cash basis, \$000): None.

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 legislation will affect 300 card processors and merchant banks.

FIRST YEAR COSTS:

The department will incur total costs of \$7,700 in fiscal year 2026. These costs include:

- Labor Costs – Time and effort equate to 0.07 FTE.
- Create a special notice on interchange fee changes.

SECOND YEAR COSTS:

The department will incur total costs of \$14,800 in fiscal year 2027. These costs include:

- Labor Costs – Time and effort equate to 0.19 FTE.
- Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses, individuals, and accountants.
- Amend one excise tax advisory.
- Amend one administrative rule.

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	0.1	0.2	0.1		
A-Salaries and Wages	4,900	9,200	14,100		
B-Employee Benefits	1,800	3,300	5,100		
E-Goods and Other Services	800	1,700	2,500		
J-Capital Outlays	200	600	800		
Total \$	\$7,700	\$14,800	\$22,500		

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		
MGMT ANALYST4	78,468		0.0	0.0		
TAX INFO SPEC 1	47,988		0.1	0.1		
TAX POLICY SP 2	80,460	0.0	0.0	0.0		
TAX POLICY SP 3	91,068	0.0	0.0	0.0		
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		0.1	0.2	0.2		

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 rulemaking process to amend WAC 458-20-108, titled: "Selling price—Credit card service fees, foreign currency, discounts, patronage dividends." This rulemaking would affect credit card processors and merchant banks.

Request # 5070-1-1

Individual State Agency Fiscal Note

Bill Number: 5070 SB	Title: Interchange fees on tips	Agency: 190-Board of Industrial Insurance Appeals
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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: Marlon Llanes	Phone: 360-786-7423	Date: 01/16/2025
Agency Preparation: Ken Moses	Phone: (360) 753-6823	Date: 01/31/2025
Agency Approval: Ken Moses	Phone: (360) 753-6823	Date: 01/31/2025
OFM Review: Courtney Kinney	Phone: 360 584 5705	Date: 02/02/2025

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.

Nothing in the bill will result in any additional appeals to BIIA

Section Number: 1

Summary of Section:

This section prohibits all interchanges fees on taxes merchants collect on behalf of the state.

Authorized purposes

Limitations.)

Summary of Policy & Fiscal Impact:

n/a

****Section Number: 2

Summary of Section:

This section defines: Interchange fee, Merchant, payment card network, person, processor, settlement, tax, and tax documentation

Summary of Policy & Fiscal Impact:

n/a

****Section Number: 3

Summary of Section:

prohibits credit card companies from charging merchants interchange fees on sales tax and gratuities, as long as these amounts are properly identified during transactions. Merchants have 180 days to submit documentation if needed, and issuers must refund any improperly charged fees within 30 days. The law also prevents companies from circumventing this rule by adjusting fee structures.

Summary of Policy & Fiscal Impact:

n/a

***Section Number: 4

Summary of Section:

This section amends RCW 49.46.020 to prohibit employers from deducting any credit or debit card processing fees from employees tips or gratuities. This ensures that employees receive the full amount of tips or gratuities given by customers.

Summary of Policy & Fiscal Impact:

N/A

****Section Number: 5

Summary of Section:

This section establishes that any violation of the provisions outlined in this act constitutes an unfair or deceptive act in trade or commerce and an unfair method of competition under the Washington Consumer Protection Act, chapter 19.86 RCW.

Summary of Policy & Fiscal Impact:

N/A

****Section Number: 6

Summary of Section:

This section provides definitions for terms used throughout the act, including issuer, payment card network, acquirer bank, processor, interchange fee, merchant, electronic payment transaction, tax, and gratuity.

****Section Number: 7

Summary of Section:

This section sets the effective date of the act as January 1, 2026.

Summary of Policy & Fiscal Impact:

N/A

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.

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.

Individual State Agency Fiscal Note

Bill Number: 5070 SB	Title: Interchange fees on tips	Agency: 235-Department of Labor and Industries
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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
FTE Staff Years	0.0	1.5	0.8	1.5	1.5
Account					
Accident Account-State 608-1	310,000	214,000	524,000	422,000	422,000
Medical Aid Account-State 609-1	54,000	38,000	92,000	76,000	76,000
Total \$	364,000	252,000	616,000	498,000	498,000

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: Marlon Llanes	Phone: 360-786-7423	Date: 01/16/2025
Agency Preparation: Jenifer Colley	Phone: 000-000-0000	Date: 01/28/2025
Agency Approval: Trent Howard	Phone: 360-902-6698	Date: 01/28/2025
OFM Review: Courtney Kinney	Phone: 360 584 5705	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.

See attached

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.

See attached

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.

See attached.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
608-1	Accident Account	State	310,000	214,000	524,000	422,000	422,000
609-1	Medical Aid Account	State	54,000	38,000	92,000	76,000	76,000
Total \$			364,000	252,000	616,000	498,000	498,000

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years		1.5	0.8	1.5	1.5
A-Salaries and Wages		105,000	105,000	210,000	210,000
B-Employee Benefits		40,000	40,000	80,000	80,000
C-Professional Service Contracts					
E-Goods and Other Services	364,000	83,000	447,000	200,000	200,000
G-Travel		4,000	4,000	8,000	8,000
J-Capital Outlays		20,000	20,000		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	364,000	252,000	616,000	498,000	498,000

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
Fiscal Analyst 5	76,508		0.1	0.1	0.1	0.1
Industrial Relations Agent 2	71,148		1.3	0.7	1.3	1.3
Revenue Agent 2	69,396		0.1	0.1	0.1	0.1
Total FTEs			1.5	0.8	1.5	1.5

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.

Part II: Explanation

This bill would prohibit fees on certain acts of commerce to protect tipped wages for workers while reducing the financial burden on employers.

II. A – Brief Description of What the Measure Does that Has Fiscal Impact

Section 4

Amends RCW 49.46.020 (Minimum Wage Act). It prohibits an employer from reducing an employee's tips, gratuities, and service charge by the amount of any interchange fees as defined in section 2 of this act.

Section 5

A payment card network that has received the tax or gratuity amount data from a merchant and violates section 3 is subject to a civil penalty of \$1,000 per electronic payment transaction and must refund the merchant the service fee on the tax or gratuity amount.

The civil penalty of \$1,000 must be paid to the director of the Department of Labor & Industries and be deposited in the supplemental pension fund under RCW 51.44.033. The civil penalty is in addition to any other penalties or relief provided under RCW 49.46 (Washington Minimum Wage Act) and RCW Title 82 (Excise Taxes)

II. B – Cash Receipt Impact

Receivables – Operating

The proposed bill does not provide investigation or administrative enforcement to L&I to enforce the requirements in Section 5 and there is no impact to cash receipts.

II. C – Expenditures

Appropriated – Operating Costs

This proposed bill increases expenditures to the Accident Fund, 608 and the Medical Aid Fund, 609. The following assumptions were used to estimate the resources requested to implement this bill.

Staffing

1.3 FTE, Industrial Relations Agent 2 (IRA2), permanent, starting July 1, 2026. Duties include investigating Wage Payment Act (WPA) complaints.

- In 2024, workers filed 710 WPA complaints relating to tips, gratuities and service fees.
- L&I expects a range of 25%-50% increase in WPA complaints from tips, gratuities, and service fees from this bill due to: Expanded rights, Increase in awareness of tip and gratuity rights, Increase in the use of point of sales systems that request and encourage tips, and the complexity of what the bill requires merchants to do. To estimate, we will use a median increase of 37.5%.
- Workload for IRA2 = 200 complaints/year. $710 \text{ (WPA complaints/year)} * 37.5\% = 266$ additional complaints/year $266 \text{ (additional complaints/year)} \div \text{by } 200 \text{ (IRA2 workload)} = 1.3 \text{ IRA2 FTE}$

0.1 FTE, Revenue Agent 2, permanent, starting July 1, 2026. Duties include collect wages, interest and penalties for Wage Payment Act violations.

- On average, 14% of WPA complaints result in an order
- $266 \text{ (additional complaints/year)} * 14\% = 37.24$ orders RA2 workload = 300 assignments/year $37.24 \div 300 = 0.12 \text{ FTE (RA2)}$

Information Technology

For legislative mandates with an anticipated case volume of less than 500 complaints/requests/referrals within a calendar year, the IT estimate to add a single new complaint type and related disposition codes into the Aithent ALiS platform is capped at a one-time \$300,000 amount with no ongoing maintenance & operation (M&O) costs, software licensing/subscriptions fees, cloud hosting fees or External Quality Assurance. The fixed amount assumes the new complaint type and disposition codes will be added to the ALiS platform using the base product configuration tool and the new complaints will be processed and

dispositioned following existing standardized business processes and workflow and using existing ALiS API integration with L&I External facing applications, L&I's Accounts Receivable system (ARC) for generating new account receivables and, if required, integration with Front Counter (FC) and applicable existing external facing complaint form.

A total of \$300,000 is needed in the 2025-27 biennium for all information technology changes. This includes:

- Software updates – \$300,000 one-time costs

Printing & Mailing

\$14,121 is needed for printing costs for:

Pocket Guide to Worker Rights (2,100 copies) = \$3,850

Your Rights as a Worker (30,200 copies) = \$4,791

What are Your Rights as a Worker = \$2,000 + \$130 (translation) = \$2,130

Wage and Hour Questions Employers Often Ask = \$2,830 + \$520 (translation) = \$3,350.23

Attorney General – Legal Services

\$26,000 is needed for legal services in 25-27.

FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
\$6,000	\$20,000	\$37,000	\$37,000	\$37,000	\$37,000

AGO AGENCY ASSUMPTIONS:

L&I will be billed for King County rates:

FY 2026: \$6,000 for 0.1 Assistant Attorney General FTE (AAG), 0.1 Paralegal 2 (PL2), and 0.1 Paralegal 1 FTE (PL1)

FY 2027: \$20,000 for 0.1 AAG, 0.1 PL2, and 0.1 PL1

FY 2028 and in each FY thereafter: \$37,000 for 0.1 AAG, 0.1 PL2, and 0.1 PL1

Administrative Hearings

\$43,000 is needed for 7.5 additional administrative rule hearings per year.

Indirect Costs

The amount included in this fiscal note for indirect is:

Fund Name		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
608	Accident		7,700	7,700	7,700	7,700	7,700
609	Medical Aid		1,300	1,300	1,300	1,300	1,300
	Total:	\$0	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000

The department assesses an indirect rate to cover agency-wide administrative costs. Labor and Industries' indirect rate is applied on salaries, benefits, and standard costs. For fiscal note purposes, the total indirect amount is converted into salary and benefits for partial or full indirect FTEs. Salary and benefits costs are based on a Fiscal Analyst 5 (Range 59, Step G).

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

None.