

Multiple Agency Fiscal Note Summary

Bill Number: 2033 HB	Title: Nicotine product taxation
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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	50,442,000	50,442,000	50,436,000	81,571,000	81,571,000	81,561,000	94,987,000	94,987,000	94,975,000
Total \$	50,442,000	50,442,000	50,436,000	81,571,000	81,571,000	81,561,000	94,987,000	94,987,000	94,975,000

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	742,900	742,900	742,900	.1	21,000	21,000	21,000	.1	21,000	21,000	21,000
Liquor and Cannabis Board	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	2.2	742,900	742,900	742,900	0.1	21,000	21,000	21,000	0.1	21,000	21,000	21,000

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
Liquor and Cannabis Board	.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 3/17/2025
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Department of Revenue Fiscal Note

Bill Number: 2033 HB	Title: Nicotine product taxation	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(1,000,000)	(2,600,000)	(3,600,000)	(5,800,000)	(7,100,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(71,000)	(187,000)	(258,000)	(429,000)	(513,000)
GF-STATE-State 01 - Taxes 26 - Other Tobacco Tax	15,200,000	39,100,000	54,300,000	87,800,000	102,600,000
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(1,000)	(5,000)	(6,000)	(10,000)	(12,000)
Total \$	14,128,000	36,308,000	50,436,000	81,561,000	94,975,000

Estimated Expenditures from:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	3.1	1.3	2.2	0.1	0.1
GF-STATE-State 001-1	522,700	220,200	742,900	21,000	21,000
Total \$	522,700	220,200	742,900	21,000	21,000

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.

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OFM Review: Megan Tudor	Phone: (603) 60-890-1722	Date: 03/17/2025

Request # 2033-1-1

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:

The other tobacco products (OTP) tax applies to moist snuff and other tobacco products. "Moist snuff" is tobacco that is finely cut, ground, or powdered; is not for smoking; and is intended to be placed in the oral, but not the nasal, cavity.

"Tobacco products" include products, regardless of form, that contain tobacco, but does not include cigarettes.

PROPOSAL:

This bill changes the definitions of "moist snuff" and "tobacco products" to include products containing nicotine, subjecting those products to the OTP tax.

"Moist snuff" now includes not only tobacco, but also similar products containing nicotine.

"Tobacco products" now include products that contain not only tobacco, but also nicotine, whether derived from tobacco or created synthetically.

The definition of "tobacco products" is amended so that the OTP tax will also apply to nicotine cessation products.

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:

- A typical alternative nicotine product costs \$7/unit.
- Washington's population is 2.4% of the U.S. population.
- Nicotine cessation products sale in the U.S. ranges from \$1.2 billion to \$1.5 billion annually.
- Local revenue estimates use the statewide average local sales and use taxes rate of 3%.
- 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). Additionally, local governments may also receive a portion of state sales and use taxes. Under this legislation, the amount of revenue shared with tribes and local governments may decrease.
- This legislation] takes effect January 1, 2026, and impacts five months of state collections and four months of local collections in fiscal year 2026.

DATA SOURCES:

- Tobacco Insider, <https://tobaccoinsider.com>
- Economic and Revenue Forecast Council, November 2024 forecast
- U.S. Census, population data
- Office of Financial Management, population data

REVENUE ESTIMATES:

This bill increases state revenues by an estimated \$14.2 million in the five months of impacted collections in fiscal year 2026, and by \$36.3 million in fiscal year 2027, the first full year of impacted collections.

This bill also decreases local revenues by an estimated \$300,000 in the four months of impacted collections in fiscal year 2026, and by \$1.1 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 14,128
FY 2027 -	\$ 36,308
FY 2028 -	\$ 39,190
FY 2029 -	\$ 42,371
FY 2030 -	\$ 45,649
FY 2031 -	\$ 49,326

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

FY 2026 -	(\$ 300)
FY 2027 -	(\$ 1,100)
FY 2028 -	(\$ 1,400)
FY 2029 -	(\$ 1,500)
FY 2030 -	(\$ 1,600)
FY 2031 -	(\$ 1,700)

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 proposal affects 3,800 taxpayers who have tobacco license endorsements.

FIRST YEAR COSTS:

The department will incur total costs of \$522,700 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 3.07 FTEs.

- Amend one administrative rule.
- Create special notice and update relevant information on the department’s website.
- Set up, program and test computer system changes.
- 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 - \$114,000.

- 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 \$220,200 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.
- Answer additional phone calls and counter inquiries from businesses, individuals, and accountants regarding tax questions and tax return preparation.

Object Costs - \$39,100.

- Travel expenses for meetings with compacting tribes.

ONGOING COSTS:

Ongoing costs for the 2027-29 biennium equal \$21,000 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	3.1	1.3	2.2	0.1	0.1
A-Salaries and Wages	258,100	117,900	376,000	13,200	13,200
B-Employee Benefits	93,000	42,500	135,500	4,800	4,800
C-Professional Service Contracts	74,700		74,700		
E-Goods and Other Services	45,500	18,200	63,700	2,600	2,600
G-Travel	39,100	39,100	78,200		
J-Capital Outlays	12,300	2,500	14,800	400	400
Total \$	\$522,700	\$220,200	\$742,900	\$21,000	\$21,000

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		
EXCISE TAX EX 3	66,012	0.9	0.1	0.5	0.1	0.1
EXCISE TAX EX 4	72,924	0.2		0.1		
IT B A-JOURNEY	94,728	0.4		0.2		
IT QA-SR/SPEC	104,412	0.1		0.1		
IT SYS ADM-JOURNEY	99,444	0.1		0.1		
MGMT ANALYST4	78,468	0.3	0.3	0.3		
TAX INFO SPEC 1	47,988	0.1	0.1	0.1		
TAX POLICY SP 2	80,460	0.1		0.1		
TAX POLICY SP 3	91,068	0.2	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		3.1	1.3	2.2	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

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 458-20-185, titled: "Tax on tobacco products."

This rulemaking would affect taxpayers who have tobacco license endorsements.

Individual State Agency Fiscal Note

Bill Number: 2033 HB	Title: Nicotine product taxation	Agency: 195-Liquor and Cannabis Board
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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: Rachel Harris	Phone: 360-786-7137	Date: 03/11/2025
Agency Preparation: Colin O Neill	Phone: (360) 664-4552	Date: 03/12/2025
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 03/12/2025
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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.

Section 1 - this bill modifies definitions in RCW 82.26.010

(13) The definition of moist snuff is amended to include “a similar product containing nicotine”

(21) The definition of tobacco products is amended to include “or nicotine, whether derived from tobacco or created synthetically”

Section 2 – this act takes effect 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.

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.

No fiscal impact for the agency. This legislation does not change the definitions enough to impact workload.

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.