

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2075 HB	<b>Title:</b> High THC excise 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
Liquor and Cannabis Board	Non-zero but indeterminate cost and/or savings. Please see discussion.								
<b>Total \$</b>	0	0	0	0	0	0	0	0	0

## 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	.0	0	0	0	.0	0	0	0	.0	0	0	0
Liquor and Cannabis Board	3.0	0	0	761,721	3.0	0	0	749,766	3.0	0	0	749,766
Liquor and Cannabis Board	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
<b>Total \$</b>	3.0	0	0	761,721	3.0	0	0	749,766	3.0	0	0	749,766

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

## Estimated Capital Budget Breakout

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<b>Prepared by:</b> Val Terre, OFM	<b>Phone:</b> (360) 280-3073	<b>Date Published:</b> Final 4/23/2025
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2075 HB	<b>Title:</b> High THC excise tax	<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:

- ☐ 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: Rachelle Harris	Phone: (360) 786-7137	Date: 04/09/2025
Agency Preparation: Van Huynh	Phone: (360) 534-1512	Date: 04/09/2025
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 04/09/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 04/10/2025

Request # 2075-1-1

## 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 law imposes a cannabis excise tax of 37% of the selling price on each retail sale of cannabis concentrates, useable cannabis, and cannabis-infused products.

#### PROPOSAL:

This bill changes the tax to the following:

- 37% of the selling price on each retail sale of:
  - Cannabis concentrates with a THC concentration of no greater than 35%.
  - Useable cannabis with a THC concentration no greater than 35%.
  - Cannabis-infused products.
- 50% of the selling price on each retail sale of:
  - Cannabis concentrates with a THC concentration greater than 35%
  - Useable cannabis with a THC concentration greater than 35%.

#### 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 of Revenue (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> 2075 HB	<b>Title:</b> High THC excise tax	<b>Agency:</b> 195-Liquor and Cannabis Board
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.
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### Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	3.0	3.0	3.0	3.0	3.0
<b>Account</b>					
Liquor Revolving Account-State 501-1	386,838	374,883	761,721	749,766	749,766
<b>Total \$</b>	386,838	374,883	761,721	749,766	749,766

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### 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: Rachelle Harris	Phone: 360-786-7137	Date: 04/09/2025
Agency Preparation: Aaron Hanson	Phone: 360-664-1701	Date: 04/18/2025
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 04/18/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 04/23/2025

## 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.*

Section 1 (1)(b) increases the cannabis excise tax rate from 37% to 50% of the selling price on each retail sale in this state of:

- (i) Cannabis concentrates with a THC concentration greater than 35 percent; and
- (ii) Useable cannabis with a THC concentration greater than 35 percent.

### 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.*

It is difficult to make any assumption about how the increased tax rate may drive a shift in product consumption so that consumers avoid paying the higher rate. Additionally, the agency's Cannabis Central Reporting System (CCRS) does not have precise data, only allowing for general estimates. For these reasons the cash receipts impact is indeterminate.

With that said, there can be assumptions made to determine what the potential impact could be. During FY24, 7% of useable cannabis and 91% of concentrates reported as tested in CCRS had a THC concentration over 35%. It is not known how many of those products were sold at retail.

FY24 retail sales of useable cannabis were \$527,027,027. If it is assumed 7% of the useable cannabis sold at retail had a TCH concentration over 35%, then \$36,891,892 would be subject to the new 50% excise tax rate. Additional cash receipts could be \$4,795,946  $[(\$36,891,892 \times 50\% = \$18,445,946) - (\$36,891,892 \times 37\% = \$13,650,000)]$  per year on useable cannabis.

FY24 retail sales of cannabis concentrates were \$478,378,378. If it is assumed 91% of the concentrates sold at retail had a THC concentration over 35%, then \$435,324,324 would be subject to the new 50% excise tax rate. Additional cash receipts could be \$56,592,162  $[(\$435,324,324 \times 50\% = \$217,662,162) - (\$435,324,324 \times 37\% = \$161,070,000)]$  per year on cannabis concentrates.

### 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.*

#### FINANCE DIVISION:

This bill will introduce an additional layer of tax complexity for all parties involved. Some licensees still do not fully comprehend the medical exemption, and the added requirement to track and report will likely lead to significant challenges in tracking and reporting processes. A fiscal analyst 3 will be needed to handle the additional workload relating to collecting the split taxes. Additionally, the tax complexity and accompanied issues would also greatly extend the audit work needed for each audit, resulting in less audits and limited resources. The audit team would require two revenue auditor 3 to maintain the current audit schedule.

1.0 FTE Fiscal Analyst 3 - \$103,519/yr (\$98,139 salary/benefits, \$5,380 in associated costs). Onetime costs in FY26 of \$6,305 for equipment purchases.

2.0 FTE Revenue Auditor 3 - \$271,364/yr (\$227,664 salary/benefits, \$43,700 in associated costs). Onetime costs in FY26 of \$5,650 for equipment purchases.

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## INFORMATION TECHNOLOGY SERVICES:

The system used for tax collection, Microsoft Dynamics GP, will require updates to accommodate the change in tax structure. The cost and timeline is indeterminate due to needing to contact the vendor to discuss updating a system that could potentially be discontinued in the near-term. The Board is currently pursuing a modernization effort to replace the current system. A funding request for the effort is in negotiations by the legislature. The project is planned for 1.5 years and the changes made by this bill would be incorporated into the modernization effort.

### 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	386,838	374,883	761,721	749,766	749,766
Total \$			386,838	374,883	761,721	749,766	749,766

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

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

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	3.0	3.0	3.0	3.0	3.0
A-Salaries and Wages	240,180	240,180	480,360	480,360	480,360
B-Employee Benefits	85,623	85,623	171,246	171,246	171,246
C-Professional Service Contracts					
E-Goods and Other Services	20,985	20,430	41,415	40,860	40,860
G-Travel	26,400	26,400	52,800	52,800	52,800
J-Capital Outlays	13,650	2,250	15,900	4,500	4,500
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	386,838	374,883	761,721	749,766	749,766

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

#### 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 3	71,148	1.0	1.0	1.0	1.0	1.0
Revenue Auditor 3	84,516	2.0	2.0	2.0	2.0	2.0
Total FTEs		3.0	3.0	3.0	3.0	3.0

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

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Finance (020)	386,838	374,883	761,721	749,766	749,766
Total \$	386,838	374,883	761,721	749,766	749,766

### 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.*





# Multiple Agency Ten-Year Analysis Summary

<b>Bill Number</b>	<b>Title</b>
2075 HB	High THC excise tax

This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimated Cash Receipts

Department of Revenue	0	0	0	0	0	0	0	0	0	0	0
Liquor and Cannabis Board Indeterminate Impact	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



# Ten-Year Analysis

<b>Bill Number</b> 2075 HB	<b>Title</b> High THC excise tax	<b>Agency</b> 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

☒ **No Cash Receipts**      ☐ **Partially Indeterminate Cash Receipts**      ☐ **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											
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Agency Preparation: Van Huynh	Phone: 360-534-1512	Date: 4/9/2025 4:33:34 pm
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 4/9/2025 4:33:34 pm
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 4/23/2025 3:49:52 pm



# Ten-Year Analysis

<b>Bill Number</b> 2075 HB	<b>Title</b> High THC excise tax	<b>Agency</b> 195 Liquor and Cannabis Board
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

☐ No Cash Receipts      ☐ Partially Indeterminate Cash Receipts      ☒ Indeterminate Cash Receipts

## Estimated Cash Receipts

Name of Tax or Fee	Acct Code											
Total												

### Biennial Totals

## Narrative Explanation (Required for Indeterminate Cash Receipts)

It is difficult to make any assumption about how the increased tax rate may drive a shift in product consumption so that consumers avoid paying the higher rate. Additionally, the agency's Cannabis Central Reporting System (CCRS) does not have precise data, only allowing for general estimates. For these reasons the cash receipt impact is indeterminate.

With that said, there can be assumptions made to determine what the potential impact could be. During FY24, 7% of useable cannabis and 91% of concentrates reported as tested in CCRS had a THC concentration over 35%. It is not known how many of those products were sold at retail.

FY24 retail sales of useable cannabis were \$527,027,027. If it is assumed 7% of the useable cannabis sold at retail had a TCH concentration over 35%, then \$36,891,892 would be subject to the new 50% excise tax rate. Additional cash receipts could be \$4,795,946 [(\$36,891,892 x 50% = \$18,445,946) - (\$36,891,892 x 37% = \$13,650,000)] per year on useable cannabis.

FY24 retail sales of cannabis concentrates were \$478,378,378. If it is assumed 91% of the concentrates sold at retail had a THC concentration over 35%, then \$435,324,324 would be subject to the new 50% excise tax rate. Additional cash receipts could be \$56,592,162 [(\$435,324,324 x 50% = \$217,662,162) - (\$435,324,324 x 37% = \$161,070,000)] per year on cannabis concentrates.



# Ten-Year Analysis

Bill Number	Title	Agency
2075 HB	High THC excise tax	195 Liquor and Cannabis Board

Agency Preparation: Aaron Hanson	Phone: 360-664-1701	Date: 4/18/2025 9:39:34 am
Agency Approval: Aaron Hanson	Phone: 360-664-1701	Date: 4/18/2025 9:39:34 am
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 4/23/2025 3:49:52 pm