

# **E2SHB 1873 Implementation**

House Finance Committee  
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**Presented by:**

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## E2SHB 1873: Vapor Products Tax

- The vapor products tax is imposed on the first possessor in Washington.
- Imposes a tax on vapor products as of October 1, 2019:
  - 9 cents per milliliter for accessible containers of solution greater than 5 milliliters.
  - 27 cents per milliliter of liquid for all other vapor products.
- Existing inventory (floor stock) as of October 1, 2019, is subject to the tax.
- The tax does not apply to marijuana products or tobacco cessation products approved by the FDA, among other things.

## E2SHB 1873: Implementation

- Created agency communication plan.
- Drafted content and documents for taxpayer outreach.
- Programmed and tested the Department's tax and licensing system.
- Trained staff.

## Flavored Vapor Products Ban

- The Governor issued an executive order requesting that the state Board of Health ban flavored vapor products.
- The state Board of Health issued an emergency rule, effective October 10, 2019, banning the sale of flavored vapor products.
- The ban was challenged by the vapor product industry. However, on November 8<sup>th</sup>, Thurston County Superior Court declined to put the ban on hold while the case proceeds.
- On November 18, 2019 the state Board of Health acted to ban any vapor product containing vitamin E acetate.

## E2SHB 1873: Credits

- For those who had inventory that cannot be lawfully sold, the legislation does allow credits for:
  - Shipping the products outside Washington.
  - Returning the products to the manufacturer.
  - Destroying the products.

# Revenue Impact: Market Reaction & Ban

<b>E2SHB 1873 Forecast</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>4-Year</b>
General Fund-Retail Sales Tax	\$455,000	\$1,320,000	\$2,012,000	\$2,758,000	\$6,545,000
General Fund-B&O Tax	\$33,000	\$96,000	\$146,000	\$200,000	\$475,000
Performance Audit	\$1,000	\$2,000	\$3,000	\$4,000	\$10,000
Andy Hill Cancer Research	\$2,987,000	\$5,612,000	\$6,828,000	\$8,131,000	\$23,558,000
Foundational Public Health	\$2,987,000	\$5,612,000	\$6,828,000	\$8,131,000	\$23,558,000
<b>Total</b>	<b>\$6,463,000</b>	<b>\$12,642,000</b>	<b>\$15,817,000</b>	<b>\$19,224,000</b>	<b>\$54,146,000</b>

<b>Revenue Reduction Estimate</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>4-Year</b>
General Fund-Retail Sales Tax	(\$1,519,000)	(\$2,852,000)	(\$3,471,000)	(\$4,134,000)	(\$11,976,000)
General Fund-B&O Tax	(\$110,000)	(\$207,000)	(\$252,000)	(\$300,000)	(\$869,000)
Performance Audit	(\$3,000)	(\$4,000)	(\$5,000)	(\$6,000)	(\$18,000)
Andy Hill Cancer Research	(\$2,490,000)	(\$4,677,000)	(\$5,691,000)	(\$6,777,000)	(\$19,635,000)
Foundational Public Health	(\$2,490,000)	(\$4,677,000)	(\$5,691,000)	(\$6,777,000)	(\$19,635,000)
<b>Total</b>	<b>(\$6,612,000)</b>	<b>(\$12,417,000)</b>	<b>(\$15,110,000)</b>	<b>(\$17,994,000)</b>	<b>(\$52,133,000)</b>

# Net Revenue Impact

4-Year Net Difference	FY 2020	FY 2021	FY 2022	FY 2023	4-Year
General Fund-Retail Sales Tax	(\$1,064,000)	(\$1,532,000)	(\$1,459,000)	(\$1,376,000)	(\$5,431,000)
General Fund-B&O Tax	(\$77,000)	(\$111,000)	(\$106,000)	(\$100,000)	(\$394,000)
Performance Audit	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)	(\$8,000)
Andy Hill Cancer Research	\$497,000	\$935,000	\$1,137,000	\$1,354,000	\$3,923,000
Foundational Public Health	\$497,000	\$935,000	\$1,137,000	\$1,354,000	\$3,923,000
<b>Net Total</b>	<b>(\$149,000)</b>	<b>\$225,000</b>	<b>\$707,000</b>	<b>\$1,230,000</b>	<b>\$2,013,000</b>

Questions?

