

Multiple Agency Fiscal Note Summary

Bill Number: 6021 SB	Title: Nonresident sales tx exemptn
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Estimated Cash Receipts

Agency Name	2005-07		2007-09		2009-11	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	3,374,000	3,374,000	4,094,000	4,094,000	4,566,000	4,566,000
Total \$	3,374,000	3,374,000	4,094,000	4,094,000	4,566,000	4,566,000

Local Gov. Courts *						
Local Gov. Other **		1,138,000		1,260,000		1,405,000
Local Gov. Total		1,138,000		1,260,000		1,405,000

Estimated Expenditures

Agency Name	2005-07			2007-09			2009-11		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.0	5,800	5,800	.0	0	0	.0	0	0
Total	0.0	\$5,800	\$5,800	0.0	\$0	\$0	0.0	\$0	\$0

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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Prepared by: Doug Jenkins, OFM	Phone: 360-902-0563	Date Published: Final 3/ 2/2005
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Department of Revenue Fiscal Note

Bill Number: 6021 SB	Title: Nonresident sales tx exemptn	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2006	FY 2007	2005-07	2007-09	2009-11
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	1,488,000	1,886,000	3,374,000	4,094,000	4,566,000
Total \$	1,488,000	1,886,000	3,374,000	4,094,000	4,566,000

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.1		0.0		
Fund					
GF-STATE-State 001-1	5,800		5,800		
Total \$	5,800		5,800		

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:	Phone:	Date: 02/22/2005
Agency Preparation: Lorrie Brown	Phone: 360-570-6081	Date: 03/02/2005
Agency Approval: Kim Davis	Phone: 360-570-6087	Date: 03/02/2005
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/02/2005

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 1 amends RCW 82.08.0273 and 2003 c 53 s 399. The current statute contains a sales tax exemption on sales of tangible personal property sold to a nonresident for use outside of the state. This section adds a \$50 minimum on any such sales. For example, if the total of qualifying items in a sale is less than \$50, the exemption does not apply and sales tax is due.

Section 2 provides an effective date of August 1, 2006.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

It is assumed that the \$50 minimum pertains to the total transaction, not to items.

It is assumed that there would be no elasticity effect for sales under \$50.

Data is from DOR deduction data and the 1998 retailer study. From the retailer study survey, it is estimated that statewide, transactions less than \$50 comprise about one-third of all sales. However, they only represent about 5 percent of the value of all sales.

It is assumed that nonresident sales are on average higher than the statewide average. In the border counties, it is assumed that nonresident sales under \$50 are about three-quarters as frequent as sales to Washingtonians. This is because Oregonians are somewhat less likely to go across the border to pick up only an item or two.

It is assumed that nonresident sales in nonborder areas are considerably higher than average; that sales under \$50 are half as likely to occur. This is because many of these sales are to Alaskans who frequently come to the Seattle area to purchase big-ticket items.

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

Would increase revenues by an estimated \$3,374,000 in the 2005-2007 Biennium. Local governments would gain an estimated \$1,038,000 in the biennium. Estimates reflect ten months of cash collections in FY 2006, due to the August 1st effective date.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2006 -	\$ 1,488
FY 2007 -	\$ 1,886
FY 2008 -	\$ 1,991
FY 2009 -	\$ 2,103
FY 2010 -	\$ 2,221
FY 2011 -	\$ 2,345

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

FY 2006 - \$ 558
FY 2007 - \$ 580
FY 2008 - \$ 613
FY 2009 - \$ 647
FY 2010 - \$ 683
FY 2011 - \$ 722

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The Department will incur printing and mailing costs of \$39,500 in FY 2005 to mail a Special Notice to affected taxpayers.

The Department will incur implementation costs of \$5,800 in FY 2006 and no costs in FY 2007, for a biennium total of \$5,800.

FY 2006 costs include:

1. \$5,800 for an expedited rulemaking action which requires staff time and printing and mailing costs.

The Department does not anticipate incurring any ongoing costs associated with this legislation.

The Department will absorb these costs. However, should this bill and other similar bills pass, the net impact may result in costs above the level the Department can reasonably absorb. In that event, the Department will need additional resources to implement the legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.1		0.0		
A-	2,800		2,800		
B-	700		700		
E-	1,900		1,900		
J-	400		400		
Total \$	\$5,800		\$5,800		

III. B - 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 2006	FY 2007	2005-07	2007-09	2009-11
HEARINGS SCHEDULER	31,032	0.0		0.0		
RULES MANAGER	69,500	0.0		0.0		
RULES POLICY SPECIALIST	68,600	0.0		0.0		
TAX POLICY SPECIALIST 3	58,656	0.0		0.0		
Total FTE's		0.1		0.1		

Part IV: Capital Budget Impact

NONE.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will amend WAC 458-20-193-Inbound and outbound interstate sales of tangible personal property. The Department anticipates amending this rule and will not incur additional costs.

The Department would also revise an interpretive statement, Excise Tax Advisory 2014.08.0193-Sales to nonresidents of jurisdictions imposing a sales tax of less than three percent. With respect to this revision, the Department would incur a cost equal to that for an expedited rulemaking action.

Persons affected by the rulemaking action and the revising of the interpretive statement include residents of states imposing a state sales tax of less than 3 percent who purchase tangible personal property inside Washington for use outside the state.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 6021 SB	Title: Nonresident sales tx exemptn
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities:
- ☒ Counties:
- ☒ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☐ Legislation provides local option:
- ☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2006	FY 2007	2005-07	2007-09	2009-11
City	195,858	203,580	399,438	442,260	493,155
County	77,562	80,620	158,182	175,140	195,295
Special District	284,580	295,800	580,380	642,600	716,550
TOTAL \$	558,000	580,000	1,138,000	1,260,000	1,405,000
GRAND TOTAL \$					3,803,000

Estimated expenditure impacts to:

Jurisdiction	FY 2006	FY 2007	2005-07	2007-09	2009-11
City					
County					
Special District					
TOTAL \$					
GRAND TOTAL \$					0

Part III: Preparation and Approval

Fiscal Note Analyst: Linda Kercher	Phone: 360-725-5038	Date: 03/02/2005
Leg. Committee Contact:	Phone:	Date: 02/22/2005
Agency Approval: Louise Deng Davis	Phone: (360) 725-5034	Date: 03/02/2005
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/02/2005

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This bill amends the nonresident sales tax exemption to apply only to sales of \$50 or more.

Sec. 1 provides that sales tax does not apply to sales of tangible personal property to nonresidents for use outside of Washington when the sales is \$50 or more, and when the purchaser is a resident of a state or Canadian province that does not impose a sales or use tax of 3 percent or more.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

No expenditure impact is expected because collection and administration of sales and use taxes are handled at the taxpayer and state levels.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

Local governments are estimated to gain \$558,000 million in FY06 as a result the sales tax exemption change in this bill. In FY06, counties could experience a gain of approximately \$78,000, cities, \$196,000, and special districts, \$285,000.

The bill would result in the following gain of sales tax revenue for local government, according to the Department of Revenue (DOR):

FY 2006 -- \$558,000
FY 2007 -- \$580,000
FY 2008 -- \$613,000
FY 2009 -- \$647,000
FY 2010 -- \$683,000
FY 2011 -- \$722,000

Distribution of loss among cities, counties and special districts is estimated as the following:

	City	County	Special District*
FY06	\$195,858	\$77,562	\$284,580
FY07	\$203,580	\$80,620	\$295,800
FY08	\$215,163	\$85,207	\$312,630
FY09	\$227,097	\$89,933	\$329,970
FY10	\$239,733	\$94,937	\$348,330
FY11	\$253,422	\$100,358	\$368,220
TOTAL	\$1,334,853	\$528,617	\$1,939,530

*Special district refers to both special districts and special purposes, which includes distributions from local sales and use taxes levied by counties, cities and special districts for specific funding purposes. Examples include taxes for transit programs, criminal justice, correctional facilities, sports stadiums, public facilities, and emergency communications.

B&O Tax Impact:

No local business and occupation tax impact is anticipated.

ASSUMPTIONS:

DOR assumes there would be no elasticity effect for sales under \$50. It is therefore assumed in this note that the bill will not result in lost sales to nonresidents making purchases under \$50, and will not result in a loss of B&O revenue in cities that levy a B&O tax.

METHODOLOGY:

The revenue estimates in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions for CY 2004. This data shows that, of the total local distributions, cities received 35.1 percent, counties received 13.9 percent, and special districts received 51 percent. The revenue impacts in this note reflect those same percentages.

SOURCES:

Department of Revenue
Department of Revenue Local Tax Distributions 2004