

Multiple Agency Fiscal Note Summary

Bill Number: 6686 P S SB _P_	Title: Local sales and use tax
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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	0	0	(5,860,000)	(5,860,000)	(18,080,000)	(18,080,000)
Total \$	0	0	(5,860,000)	(5,860,000)	(18,080,000)	(18,080,000)

Local Gov. Courts *						
Local Gov. Other **	Fiscal note not available					
Local Gov. Total						

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	.1	21,600	21,600	.0	0	0	.0	0	0
Total	0.1	\$21,600	\$21,600	0.0	\$0	\$0	0.0	\$0	\$0

Local Gov. Courts *									
Local Gov. Other **	Fiscal note not available								
Local Gov. Total									

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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 13676

Department of Revenue Fiscal Note

Bill Number: 6686 P S SB _P_	Title: Local sales and use tax	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				(5,860,000)	(18,080,000)
Total \$				(5,860,000)	(18,080,000)

Estimated Expenditures from:

	FY 2006	FY 2007	2005-07	2007-09	2009-11
FTE Staff Years	0.3		0.1		
Fund					
GF-STATE-State 001-1	21,600		21,600		
Total \$	21,600		21,600		

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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Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 02/06/2006
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/06/2006

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.

Note: This fiscal note reflects PSSB 6686.

This bill allows certain cities to impose an additional sales and use tax that is credited against the state sales and use tax to cover costs of municipal services in the annexed area.

Section 1 is a new section in RCW 82.14. This section authorizes a new sales and use tax for annexation areas of a certain sized city in a certain sized county. The county must have a population over 600,000 and the city must have less than 400,000 people. The tax is credited against the state sales and use tax. The annexation area must have a population of at least 10,000 people before January 1, 2012, and be under RCW 35.13 or 35A.14. The city must adopt an ordinance that states the rate of the tax and the threshold amount for the first fiscal year following the annexation and passage of the ordinance. The maximum tax rate is 0.2 percent, and it is based on population. If the annexation area has over 10,000 people but under 20,000 people, the rate is 0.1 percent. If the annexation area has over 20,000 people, the maximum rate is 0.2 percent. The tax can be imposed for ten years, but not before July 1, 2007.

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

The population restrictions greatly narrow the cities that can take advantage of this sales and use tax credit. King, Pierce, and Snohomish counties qualify due to having populations greater than 600,000. Seattle is the only city within the three counties that is not eligible to levy the tax. All other cities are eligible if they choose to annex an area with at least 10,000 people.

Currently, Pierce and Snohomish counties do not have any proposed major annexations with populations over 10,000 people. King County has ten major proposed annexation areas. Seven out of these ten proposed annexation areas have populations over 10,000. Renton has two eligible annexation areas, so the 0.2 percent maximum in Section 1(3) applies. To date, applications have not been submitted for these annexations. Funding appears to be a key factor for these annexations to proceed forward. The impact of this legislation is difficult to estimate since it is unknown which cities will actually annex prior to 2012. Fiscal Year 2009 is the quickest implementation date for cities to complete the annexation process and receive the tax credit. There are annexations that are more likely to occur than the others, although more cities could annex due to improved financing. For this fiscal note, it is assumed three annexations will occur in Fiscal Year 2009 (two annexations in Renton for a 0.2 percent maximum credit) with another city annexing in each of Fiscal Years 2010 and 2011.

State government would lose an estimated \$5.9 million in Fiscal Year 2009 and \$18.1 million in the 2009-11 Biennium. It should be noted that if all the eligible cities annex prior to the 2012 cut-off date, the impact will increase to about \$20 million per fiscal year.

REVENUE ESTIMATES

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2006 - \$ 0

FY 2007 - \$ 0
FY 2008 - \$ 0
FY 2009 - \$ (5,860)
FY 2010 - \$ (7,450)
FY 2011 - \$ (10,630)

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

FY 2006 - \$ 0
FY 2007 - \$ 0
FY 2008 - \$ 0
FY 2009 - \$ 5,860
FY 2010 - \$ 7,450
FY 2011 - \$ 10,630

The following table shows all the proposed annexation areas and the estimated tax credit for the cities in King County that meet the qualifications.

City	Annexation Population	Sales Tax Credit Rate (%)	Estimated Value of Credit (CY 09)
Kirkland	32,800	0.2	3,721,000
Sammamish/Issaquah	11,200	0.1	1,366,000
Burien	32,700	0.2	1,188,000
Renton (Fairwood/Petrovitsky)	40,600	0.2	4,758,000
Kent	24,500	0.2	5,811,000
Federal Way	21,100	0.2	3,055,000

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.

To implement this legislation, the Department of Revenue will incur costs of approximately \$21,600 during Fiscal Year 2006. These are programming costs to set up, test, and verify the system to handle the tax credit against the state tax. Time and effort spent would equate to 0.3 FTE.

The Department of Revenue 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 of Revenue can reasonably absorb. In that event, the Department of Revenue 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	0.3		0.1		
A-	14,500		14,500		
B-	3,600		3,600		
E-	1,800		1,800		
J-	1,700		1,700		
Total \$	\$21,600		\$21,600		

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
INFO TECH SPEC 4	54,372	0.3		0.1		
Total FTE's		0.3		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.

No rule-making required.