Department of Revenue Fiscal Note

Bill Number: 1227 HB	Title: Mortgage brokers	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

FUND	FY 2008	FY 2009	2007-09	2009-11	2011-13
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(3,529,000)	(9,999,000)	(13,528,000)	(25,051,000)	(28,748,000)
Total $	(3,529,000)	(9,999,000)	(13,528,000)	(25,051,000)	(28,748,000)

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
Fund					
GF-STATE-State 001-1	6,000		6,000		
Total $	6,000		6,000		

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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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 of the bill provides a business and occupation (B&O) tax rate reduction for licensed mortgage brokers and originators licensed under RCW 19.146. The tax rate would be reduced from 1.5 percent to .484 percent of fee income earned.

The proposal would take effect on January 1, 2008.

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

A new licensing requirement for mortgage brokers and mortgage loan originators took effect on January 1, 2007. The Department of Financial Institutions (DFI) believes that there will be about 3,000 mortgage broker main offices and 9,000 mortgage loan originators licensed under the new requirements. However, not all of the firms that are expected to be licensed have been processed or can be identified by Uniform Business Identifier by DFI and therefore a matching of licensees to Department of Revenue (DOR) records can not be reliably made. The DFI also estimates that about 60 percent of the mortgage originators will be self employed (those that are employees would not be required to pay B&O tax).

Because only a limited number of known licensees can be matched to DOR records, the impact of a rate reduction on the estimated 12,000 individuals and firms was done as follows: All firms that currently (Fiscal Year 2006) report service revenue and have a NAICS code of 522310 (mortgage brokers) are included, or 689 firms. All matched firms to DFI licenses that have a NAICS code other than 522310 are included, or 325 firms.

The remainder of the estimated 12,000 licensees are apportioned between mortgage broker head office status, self employed originators, and employees based on the DFI assumption above. These firms are assumed to be smaller, about the average size of mortgage broker sole proprietors that are licensed and reporting revenue. It is further assumed that these licensees may not be currently registered and paying B&O tax and therefore a compliance adjustment is made, assuming that the maximum revenue collection from this group would otherwise be 52 percent of the tax liability over a four-year period.

REVENUE ESTIMATES

Based on the above assumptions, a five-month cash impact in Fiscal Year 2008 would be about $3.5 million and about $10 million in Fiscal Year 2009.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):

FY 2008 - $ (3,529)
FY 2009 - $ (9,999)
FY 2010 - $ (11,695)
FY 2011 - $ (13,356)
FY 2012 - $ (14,023)
FY 2013 - $ (14,725)

Local Government, if applicable (cash basis, $000): None.

FY 2008 - $
FY 2009 - $
FY 2010 - $
FY 2011 - $
FY 2012 - $
FY 2013 - $

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 $6,000 during Fiscal Year 2008. This would be for the creation and mailing of a Special Notice. No additional FTEs would be necessary.

The Department will absorb any incidental costs incurred with the implementation of this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
J-	6,000		6,000		
Total $	$6,000		$6,000		

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.