

Department of Revenue Fiscal Note

Bill Number: 5168 SB	Title: Sales tax refund	Agency: 140-Department of Revenue
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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 01 - Retail Sales Tax	(66,500,000)	(90,000,000)	(156,500,000)	(184,050,000)	(189,540,000)
Total \$	(66,500,000)	(90,000,000)	(156,500,000)	(184,050,000)	(189,540,000)

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	7.2	5.0	6.1	5.1	5.3
Fund					
GF-STATE-State 001-1	569,400	428,700	998,100	855,300	873,700
Total \$	569,400	428,700	998,100	855,300	873,700

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 adds a new section to chapter 82.08 RCW which provides low income Washington residents enrolled in an institution of higher education a refund for sales tax they may have paid on a quarterly basis. To be eligible, a student should (1) have qualified for the state need grant for higher education, or (2) be eligible for the federal food stamp program or state basic food benefit program, and (3) be enrolled in an institution of higher education that serves students receiving financial aid under the federal higher education act.

To receive the refund, taxpayers must return a completed quarterly refund form to the Department of Revenue (Department). The quarterly refund is equal to \$300 per student, or 0.00625 times the state's median income as determined by the Washington Employment Security Department, also on a per student basis.

This bill is effective 90 days after adjournment of the 2007 legislative session.

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

- 1. -About 70,000 students qualified for need based grants in the 2005-2006 school year.
Source: Washington State Higher Education Coordination Board.
-About 12,157 students participated in the Workfirst/TANF Training programs.
Source: State Board for Community and Technical Colleges.
- 2. Analyst assumes about 90 percent of qualified HEC Board student population will participate in the tax refund program. It is further assumed that only 70 percent of the Workfirst/TANF training programs will participate in the tax refund program.
- 2. Washington State's median income adjusted for September 2006 employment and wages is assumed to be \$35,300.
Source: Washington State Employment Security Occupational Employment Statistics (OES), ESD-Labor Market and Economic Analysis Division.
- 3. The bill states that the fiscal impact should be based on the higher of (i) a quarterly refund of \$300 per eligible student, or (ii) 0.00625 times the state's median income as determined by the Washington State Employment Security Department. Results of refund calculations indicate that the quarterly refund of \$300 is applied to estimate the fiscal impact associated with this bill.
- 4. There will only be three quarterly payments in Fiscal Year 2008 due to the July 21, 2008, effective date.

REVENUE ESTIMATES

The fiscal impact of this bill to the state general fund is a loss of revenue in the amount of \$66.5 million in Fiscal Year 2008 and \$90 million in Fiscal Year 2008, resulting in a total loss of \$156.5 million in the 2008-09 Biennium.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2008 - (\$66,500)
FY 2009 - (\$90,000)
FY 2010 - (\$91,350)
FY 2011 - (\$92,700)
FY 2012 - (\$94,050)
FY 2013 - (\$95,490)

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

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 will incur costs of approximately \$569,400 during Fiscal Year 2008. These costs are for programming to set up, test, and verify the system to handle the new refund, creation of an application, the processing of incoming applications including examination of qualifying documents, database, cross-reference, contact and research, and creation and issuance of payments.

Time and effort for processing of incoming applications is 4 FTEs, programming costs equate to 3.2 FTEs.

Costs of \$6,200 are for the creation of an application form, and \$93,500 are for processing, printing, and mailing the refund payments.

The Department will incur ongoing costs of approximately \$428,700 during FY 2009, \$855,300 during the 2009-2011 biennium, and \$873,700 during the 2011-2013 biennium. Ongoing costs are for processing of incoming applications, as noted above, and creation and issuance of payments. This includes 5 FTEs during Fiscal Year 2009, 5 and 5.3 FTEs in the fiscal years of the 2009-2011 biennium and 5.3 FTEs during the 20011-20113 biennium.

Without an appropriation to cover the expenditure impact, the Department may not be fully able to implement the 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	7.2	5.0	6.1	5.1	5.3
A-	301,700	162,700	464,400	331,900	345,000
B-	75,400	40,700	116,100	83,000	86,200
E-	146,600	218,900	365,500	439,100	441,800
J-	45,700	6,400	52,100	1,300	700
Total \$	\$569,400	\$428,700	\$998,100	\$855,300	\$873,700

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 2008	FY 2009	2007-09	2009-11	2011-13
EXCISE TAX EX 1	32,544	4.0	5.0	4.5	5.1	5.3
IT SPEC 4	54,372	3.2		1.6		
Total FTE's		7.2	5.0	6.1	5.1	5.3

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.