Department of Revenue Fiscal Note

Bill Number: 1480 HB	**Title:** Tax programs	**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 02 - Lic., Permits & Fees 14 - Property Tax Exemptn	(106,000)	(111,000)	(217,000)	(222,000)	(222,000)
Total $	(106,000)	(111,000)	(217,000)	(222,000)	(222,000)

Estimated Expenditures from:

	FY 2008	**FY 2009**	**2007-09**	**2009-11**	**2011-13**
FTE Staff Years	(0.2)	(0.4)	(0.3)	(0.4)	(0.4)
Fund					
GF-STATE-State 001-1	(10,000)	(32,200)	(42,200)	(71,400)	(76,400)
Total $	(10,000)	(32,200)	(42,200)	(71,400)	(76,400)

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: 01/22/2007
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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.

Note: This fiscal note revises the decription of the expenditure impact contained in 1480-1.

PART 1: AUTHORIZING THE DEPARTMENT OF REVENUE TO PROVIDE ASSESSMENTS, NOTICES, AND OTHER INFORMATION ELECTRONICALLY

This part of the bill allows the Department of Revenue (Department) to provide any assessment, notice, or any other information to persons electronically rather than by regular mail if authorized by the taxpayer. The manner of electronic communication must reasonably protect confidential taxpayer information from unauthorized disclosure unless this condition is waived by the taxpayer.

Any assessment, notice, or other information provided by the Department electronically is deemed to be received by the taxpayer on the date that the Department electronically sends the information to the person or electronically notifies the person that the information is available to be accessed by the person.

PART 2: PENALTY WAIVERS FOR CENTRALLY ASSESSED UTILITIES

For property tax purposes, most property in this state is valued by the county assessors. However, inter-county utility companies and private car companies are valued by the Department and must file annual reports or statements with the Department. If a company fails to file the report or statement by the due date, the Department is required to impose a penalty by increasing that company's assessed value by five percent for every 30 days the statement or report is late, but not to exceed ten percent.

This proposal amends the penalty statutes for both inter-county utilities (RCW 84.12.260) and private car companies (RCW 84.16.036) to allow the Department to waive or cancel the penalties for good cause. If good cause is not shown, the penalty may still be waived if the company fully complies with the reporting requirements within 30 days of the due date or extension and has timely complied for the previous two calendar years.

Part 2 of this bill applies with respect to annual reports and annual statements originally due on or after the effective date of the bill.

PART 3: ELECTRONIC FILING OF PROPERTY TAX EXEMPTION RENEWAL DECLARATIONS AND ELIMINATING FEES

This part of the bill clarifies the process for nonprofit organizations to apply for and renew property tax exemptions with the Department. The application and renewal fees are eliminated. In addition, nonprofit organizations would have the option to renew their exemption status electronically in a format provided or approved by the Department.

The entire bill takes effect 90 days after final adjournment of the session in which it is enacted.

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:

PART 1: AUTHORIZING THE DEPARTMENT OF REVENUE TO PROVIDE ASSESSMENTS, NOTICES, AND OTHER INFORMATION ELECTRONICALLY

Part 1 of this proposal would have no impact on state or local revenues.

PART 2: PENALTY WAIVERS FOR CENTRALLY ASSESSED UTILITIES

As the imposition of the late reporting penalty results in higher assessed values and higher property taxes for taxpayers, waiving the penalty will result in a reduction in state and local property taxes for taxpayers.

The state property tax levy rate is forecasted to be beneath its statutory maximum rate. Therefore, any loss of assessed value resulting from the waiver of the late reporting penalty will cause the state property tax levy rate to rise, resulting in a shift of the tax to other taxpayers. Local taxing districts will experience both shifts and losses as a result of the lower assessed values.

It is expected that the Department will waive penalties for approximately 18 businesses per year. At the state level, there is a shift of about $6,000 in state property taxes the first year and $11,000 in the second year.

PART 3: ELECTRONIC FILING OF PROPERTY TAX EXEMPTION RENEWAL DECLARATIONS AND ELIMINATING FEES

It is assumed that this legislation would be effective 90 days after the conclusion of the legislative session and apply to nonprofit status for property taxes due in the next calendar year. For the purpose of this fiscal note, it is assumed the bill would take effect for taxes due in calendar year 2008. Currently, nonprofit organizations pay approximately $111,000 a year for new applications and renewal declarations for property tax exemptions. The annual impact to state government is a loss of $106,000 in Fiscal Year 2008 and $217,000 in the 2007-09 Biennium.

REVENUE ESTIMATES

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):

FY 2008 -	$ (106)
FY 2009 -	$ (111)
FY 2010 -	$ (111)
FY 2011 -	$ (111)
FY 2012 -	$ (111)
FY 2013 -	$ (111)

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

DETAIL OF REVENUE IMPACT FOR PROPERTY TAX, Fiscal Year Basis

State Government, Impact on Revenues ($000); None

State Government, ($000), Shift of Tax Burden

FY 2008 -	$6
FY 2009 -	11
FY 2010 -	11
FY 2011 -	11
FY 2012 -	10
FY 2013 -	10

Local Government, Impact on Revenues ($000), Loss:

FY 2008 - ($3)
FY 2009 - (5)
FY 2010 - (5)
FY 2011 - (5)
FY 2012 - (5)
FY 2013 - (5)

Local Government, ($000), Shift of Tax Burden

FY 2008 - $21
FY 2009 - 41
FY 2010 - 40
FY 2011 - 39
FY 2012 - 39
FY 2013 - 39

DETAIL OF REVENUE IMPACT FOR PROPERTY TAX, Calendar Year Basis

State Government, Impact on Revenues ($000); None

State Government, ($000), Shift of Tax Burden

CY 2008 - $12
CY 2009 - 11
CY 2010 - 11
CY 2011 - 11
CY 2012 - 10
CY 2013 - 10

Local Government, Impact on Revenues ($000), Loss:

CY 2008 - ($5)
CY 2009 - (5)
CY 2010 - (5)
CY 2011 - (5)
CY 2012 - (5)
CY 2013 - (5)

Local Government, ($000), Shift of Tax Burden

CY 2008 - $41
CY 2009 - 41
CY 2010 - 39
CY 2011 - 39
CY 2012 - 39
CY 2013 - 39

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 would incur $24,200 in one-time costs during Fiscal Year 2008. The agency would expend $11,700 in Fiscal Year 2008 for systems programming to send electronic notifications and information to taxpayers. This one-time effort would involve one Information Tech Specialist 4 for approximately 270 hours of programming time. Potential savings in postage and printing costs in Fiscal Year 2008 would total $3,700 for a net of $8,000. The remaining $12,500 represents the costs of amending two administrative rules for $11,700 and developing, printing and distributing new forms for utility companies to use in filing reports with the Department for a cost of $800. Minor costs for updating agency forms and for notifying county officials about the provisions of this bill are routine costs already assumed in the agency budget for the 2007-2009 Biennium.

Not having to process nonprofit exemption renewal fees in Part 3 of the legislation would reduce agency costs by $30,500 per fiscal year. These reductions are the result of time savings for a Financial Analyst (.18 FTE), a Taxpayer Information Specialist (.13 FTE), and a Property Tax Specialist (.12 FTE) and minor printing and postage cost reductions.

After accounting for all the expenditures and reductions, the Department will have an overall net reduction of $10,000 in Fiscal Year 2008 and a $32,200 reduction in Fiscal Year 2009. In Fiscal Year 2009 the agency would save approximately $4,700 per year in printing and postage costs and $27,500 in FTE expenses. Printing and postage cost savings would increase each year up through Fiscal Year 2012, assuming that more businesses would choose to receive electronic transmissions of assessments each year. An annual ongoing reduction of $27,500 in partial FTEs is expected for each ensuing fiscal year due to the agency not having to process exemption renewal fees.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	(0.2)	-0.4	(0.3)	(0.4)	(0.4)
A-	(5,900)	(19,700)	(25,600)	(39,400)	(39,400)
B-	(1,400)	(4,900)	(6,300)	(9,800)	(9,800)
E-	(1,000)	(7,600)	(8,600)	(22,200)	(27,200)
J-	(1,700)		(1,700)		
Total $	$(10,000)	$(32,200)	$(42,200)	($71,400)	$(76,400)

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
FISCAL ANALYST 1	34,920	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
HEARINGS SCHEDULER	31,056	0.0		0.0		
INFO TECH SPEC 4	54,372	0.1		0.1		
PROP TAX SPECIALIST	55,716	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
RULES MANAGER	78,194	0.0		0.0		
RULES POLICY SPECIALIST	64,587	0.0		0.0		
TAX INFO SPEC 2	45,756	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
TAX POLICY SPECIALIST 3	61,500	0.1		0.0		
Total FTE's		(0.2)	(0.4)	(0.3)	(0.4)	(0.4)

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.

To reflect the provisions of this bill, the Department would amend two administrative rules using the expedited rule making process, WAC 458-50-060 (titled: Failure to make report-Default valuation-Penalty-Estoppel) and WAC 458-16-110 (titled: Applications-Who must file, initial applications, annual declarations, appeals, filing fees, penalties, and refunds). Parties interested in the rule making would include centrally-assessed utilities and nonprofit organizations.