

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1129 HB	<b>Title:</b> Tax relief for zoos
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## Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(300,000)	(300,000)	(426,000)	(426,000)	(507,000)	(507,000)
<b>Total \$</b>	(300,000)	(300,000)	(426,000)	(426,000)	(507,000)	(507,000)

Local Gov. Courts *						
Local Gov. Other **		(86,130)		(111,870)		(131,671)
Local Gov. Total		(86,130)		(111,870)		(131,671)

## Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.1	22,900	22,900	.0	0	0	.0	0	0
<b>Total</b>	0.1	\$22,900	\$22,900	0.0	\$0	\$0	0.0	\$0	\$0

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

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<b>Prepared by:</b> Doug Jenkins, OFM	<b>Phone:</b> 360-902-0563	<b>Date Published:</b> Final 2/19/2007
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 16291

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1129 HB	<b>Title:</b> Tax relief for zoos	<b>Agency:</b> 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	(86,000)	(141,000)	(227,000)	(317,000)	(375,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(26,000)	(47,000)	(73,000)	(109,000)	(132,000)
<b>Total \$</b>	(112,000)	(188,000)	(300,000)	(426,000)	(507,000)

### Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.3		0.1		
<b>Fund</b>					
GF-STATE-State 001-1	22,900		22,900		
<b>Total \$</b>	22,900		22,900		

*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: Rick Peterson	Phone: 360-786-7150	Date: 01/22/2007
Agency Preparation: Valerie Torres	Phone: 360-5706084	Date: 02/02/2007
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 02/02/2007
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/02/2007

## 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 a revision to the revenue impact. It supercedes fiscal note number 1129-1.

Any nonpublic entity that operates a zoo is subject to the business and occupation tax with respect to the gross income derived from the business activities. In addition, purchases by both public and nonpublic zoos are subject to the retail sales or use tax.

This bill intends to provide zoological facilities as publicly owned zoos that are operated by a nonprofit organization with business and occupation tax deductions for certain activities as well as to exempt these types of facilities from retail sales and use taxes.

Section 1, a new section, explains the intention.

Section 2, a new section, defines a zoological facility and creates a deduction for manufacturing activities for use by the zoo in displaying or presenting exhibits, presentations, performances, or educational programs.

It also creates a deduction for income derived from business activities and compensation derived from the federal government or the state of Washington that supports exhibits, presentations, performances, or educational programs.

Section 3, a new section, exempts publicly owned zoos that are operated by a nonprofit organization from retail sales taxes for objects used in displaying or presenting exhibits, presentations, performances, or educational programs.

Section 4, a new section, exempts publicly owned zoos that are operated by a nonprofit organization from use taxes for objects used in displaying or presenting exhibits, presentations, performances, or educational programs.

### 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

SB 1129 provides a tax exemption for nonprofit organizations which operate public zoos. The tax exemption applies to certain business and occupation taxes as well as the sales and use tax on certain sales purchases made by nonprofit organizations operating a zoo.

Currently, Woodland Park Zoo is the only zoo qualifying for the tax exemption. It is a publicly owned zoo operated by a nonprofit organization. Tax records for the past four fiscal years (2003 through 2006) were examined to determine the average annual taxes paid. The amount of the business and occupation tax deduction was based on information from the affected nonprofit organization which represents compensation for proceeds from the zoo's exhibits, presentations, performances, or education programs. It is assumed that there was no measurable amount of manufacturing activities to be deducted based on no reporting of manufacturing activities from 2003 through 2006. The amount of purchases of exempt items that the nonprofit organization made was also calculated based on information from the affected nonprofit organization. The Department of Revenue (Department) assumed that only purchases for the purpose of zoological exhibitions, presentations, or performances would qualify for the tax exemption. The base year for these estimates is for a year in which the Woodland Park Zoo's expenditures on zoological exhibits were low. It is assumed that every other year the zoo will have higher expenditures on new exhibits. A smoothing-out of this fluctuating stream of purchases is made for these estimates. The growth rate for Fiscal Year 2008 is 50 percent, and the other subsequent years is 10 percent per year. The sales tax rates assumed are 6.5 percent for state sales tax and 2.3 percent for local sales tax and regional transit

tax.

Animal, animal food and animal bedding purchases used in zoological exhibitions, presentations, or performances would also be exempted. These do not grow at the same rate and the other purchases, so a growth rate of 9.9 percent was estimated and used to grow animal purchases and a growth rate of one percent was estimated and used to grow animal food and bedding purchases.

There are other public zoos in Washington that could qualify for this tax exemption if they choose to have a nonprofit organization operate the zoo in the future. Currently, the other zoo are operated by a municipality and are tax exempt. The Department assumed in these revenue estimates that no other zoos besides Woodland Park Zoo would qualify and claim this tax exemption between Fiscal Years 2008-2013.

## REVENUE ESTIMATES

This tax exemption will reduce both state and local sales taxes as well as the business and occupation tax revenue. The revenue loss for the state will range from \$112,000 to \$264,000 over the next five fiscal years.

This bill is assumed effective 90 days after the end of session, resulting in ten months of fiscal impact in Fiscal Year 2008.

### TOTAL REVENUE IMPACT:

#### State Government (cash basis, \$000):

FY 2008 -	\$ (112)
FY 2009 -	\$ (188)
FY 2010 -	\$ (204)
FY 2011 -	\$ (222)
FY 2012 -	\$ (243)
FY 2013 -	\$ (264)

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

FY 2008 -	\$ (37)
FY 2009 -	\$ (50)
FY 2010 -	\$ (54)
FY 2011 -	\$ (59)
FY 2012 -	\$ (64)
FY 2013 -	\$ (69)

## 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 \$22,900 during Fiscal Year 2008. These are for programming, analyzing, and testing costs required for the system to handle new deductions and to amend one rule. Time and effort for the system costs would equate to 0.2 FTEs.

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 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.3		0.1		
A-	12,900		12,900		
B-	3,300		3,300		
E-	5,300		5,300		
J-	1,400		1,400		
<b>Total \$</b>	\$22,900		\$22,900		

**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
HEARINGS SCHEDULER	31,056	0.0		0.0		
IT SPEC 4	54,372	0.2		0.1		
RULES MANAGER	78,194	0.0		0.0		
RULES POLICY SPECIALIST	64,587	0.0		0.0		
TAX POLICY SPECIALIST 2	54,372	0.0		0.0		
TAX POLICY SPECIALIST 3	61,500	0.1		0.0		
<b>Total FTE's</b>		0.3		0.2		

## 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 use the standard process to amend WAC 458-20-169, Nonprofit Organizations. Persons affected by this rule-making would include zoological facilities in Washington which are operated by a nonprofit organization and persons making retail sales of objects used in displaying or presenting zoological exhibitions, presentations, performances, or education programs to a qualifying facility as defined in the bill.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

<b>Bill Number:</b> 1129 HB	<b>Title:</b> Tax relief for zoos
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## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- ☒ Cities: Small decrease in sales and use tax revenue to Seattle
- ☒ Counties: Small decrease in sales and use tax revenue to King County
- ☒ Special Districts: Small decrease in sales and use tax revenue to the Central Puget Sound Regional Transit Authority
- ☒ Specific jurisdictions only: Seattle, King County, and the Central Puget Sound Regional Transit Authority
- ☐ 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 2008	FY 2009	2007-09	2009-11	2011-13
City	(25,714)	(34,749)	(60,463)	(78,533)	(92,433)
County	(4,542)	(6,138)	(10,680)	(13,872)	(16,327)
Special District	(6,374)	(8,613)	(14,987)	(19,465)	(22,911)
<b>TOTAL \$</b>	(36,630)	(49,500)	(86,130)	(111,870)	(131,671)
<b>GRAND TOTAL \$</b>					(329,671)

### Estimated expenditure impacts to:

Jurisdiction	FY 2008	FY 2009	2007-09	2009-11	2011-13
City					
County					
Special District					
<b>TOTAL \$</b>					
<b>GRAND TOTAL \$</b>					0

## Part III: Preparation and Approval

Fiscal Note Analyst: Darleen Muhly	Phone: (360) 725 5030	Date: 01/22/2007
Leg. Committee Contact: Rick Peterson	Phone: 360-786-7150	Date: 01/22/2007
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 02/18/2007
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 02/19/2007

## 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 would provides business and occupation (B&O) tax, and retail sales and use tax exemptions on certain purchases made by publicly owned zoos operated by nonprofit organizations.

### 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.*

These taxes are collected and administered by the Department of Revenue. No local expenditure impact is expected as a result of this legislation.

### 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.*

According to the Department of Revenue (DOR), this new exemption would result in a small decrease in sales and use tax revenue to local government as follows:

Fiscal Year	Local Exemption	Minus 1% Admin Fee
2008	\$37,000	\$36,630
2009	\$50,000	\$49,500
2010	\$54,000	\$53,460
2011	\$59,000	\$58,410
2012	\$64,000	\$63,360
2013	\$69,000	\$68,310

With only Woodland Park Zoo being exempt, only Seattle, King County, and the Central Puget Sound Regional Transit Authority would be impacted. According to DOR, the combined sales and use tax rate in Seattle is .088 with .065 going to state, .019 going to the county and city at a 15/85 percent split and .004 going to the regional transit authority. This would result in a local breakdown of 12.4 percent to King County, 70.2 percent to Seattle, and 17.4 percent to the Central Puget Sound Regional Transit Authority.

This legislation only impacts the state B&O tax. Local B&O tax is not affected.

#### EXPENDITURE AND REVENUE SOURCES:

Department of Revenue fiscal note

Department of Revenue, "Local Sales and Use Tax Rates and Changes"