

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 3347 HB	<b>Title:</b> Voice over internet protocol
-----------------------------	--

## Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	0	390,000	0	2,163,000	0	2,617,000
<b>Total \$</b>	0	390,000	0	2,163,000	0	2,617,000

Local Gov. Courts *						
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.					
Local Gov. Total						

## 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	.0	104,200	104,200	.0	0	0	.0	0	0
<b>Total</b>	0.0	\$104,200	\$104,200	0.0	\$0	\$0	0.0	\$0	\$0

Local Gov. Courts *									
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Total									

Because this bill was identified as a proposal governed by the requirements of Initiative 960, this fiscal note has an attachment showing the ten-year cost to taxpayers of the proposed tax or fees.

<b>Prepared by:</b> Ryan Black, OFM	<b>Phone:</b> 360-902-0417	<b>Date Published:</b> Final 2/22/2008
-------------------------------------	-------------------------------	---

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

\*\* See local government fiscal note

FNPID: 20243

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 3347 HB	<b>Title:</b> Voice over internet protocol	<b>Agency:</b> 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
NEW-State 00 - 11 -		390,000	390,000	2,163,000	2,617,000
<b>Total \$</b>		390,000	390,000	2,163,000	2,617,000

### Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
<b>Fund</b>					
GF-STATE-State 001-1	104,200		104,200		
<b>Total \$</b>	104,200		104,200		

*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: 02/06/2008
Agency Preparation: Ray Philen	Phone: 360-570-6078	Date: 02/19/2008
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 02/19/2008
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 02/19/2008

## 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 Initiative 960 ten-year analysis, and supercedes fiscal note number 3347-1.

Provides that both a legislative authority of a county and the state may impose an enhanced 911 excise tax for each voice over internet protocol (VOIP) telephone subscriber.

The Department of Revenue (Department) is required to study an appropriate funding mechanism for implementation of costs associated with the next generation 911. The Department must submit a report to the Finance Committee of the House of Representatives and the Ways and Means Committee of the Senate by December 1, 2008.

The effective date is July 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.*

#### REVENUE ESTIMATES

Using various sources it is estimated that approximately 12 million VOIP are in use in the U.S. Washington's share of this number is estimated to be 360,000. Assuming a tax rate of \$0.20 per month per line the expected increase in revenue is \$390,000 in Fiscal Year 2009 and \$1 million in Fiscal Year 2010.

#### TOTAL REVENUE IMPACT:

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

FY 2009 -	\$ 390
FY 2010 -	\$ 1,033
FY 2011 -	\$ 1,133
FY 2012 -	\$ 1,246
FY 2013 -	\$ 1,371

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 \$104,200 in Fiscal Year 2008. These costs include approximately \$100,000 for conducting a study with phone, cell phone and internet service providers and providing a report to the Legislature by December 1, 2008. These costs include \$4,200 for creating and distributing a special notice to VOIP providers.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
A-					
B-					
C-					
E-	104,200		104,200		
J-					
<b>Total \$</b>	<b>\$104,200</b>		<b>\$104,200</b>		

### 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.

### OFM Notes:

Because this bill was identified as a proposal governed by the requirements of Initiative 960, this fiscal note has an attachment showing the ten-year cost to taxpayers of the proposed taxes or fees.

# Ten-Year Analysis

FN # 3347-2

Revenue Analyst:

RAY PHILEN

02/19/2008

<b>Bill Number:</b> HB3347	<b>Title:</b> AN ACT Relating to excise tax parity for voice over internet protocol services
<b>Agency:</b> 140 - Department of Revenue	

NOTE: This ten-year analysis is limited to the estimated cash receipts associated with the tax or fee increases proposed in this bill and the associated administrative costs of those increased taxes or fees.

## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Account, Major Source and Source Code, Title of Fee or Tax	Fiscal Year 08	Fiscal Year 09	2007-09 Total	Fiscal Year 10	Fiscal Year 11	2009-11 Total
Enhanced 911		390,000	390,000	1,030,000	1,133,000	2,163,000
			0			0
			0			0
			0			0
			0			0
<b>Total</b>	0	390,000	390,000	1,030,000	1,133,000	2,163,000

### Estimated Expenditures from:

	Fiscal Year 08	Fiscal Year 09	2007-09 Total	Fiscal Year 10	Fiscal Year 11	2009-11 Total
FTE Staff Years			0.00			0.00
<b>Fund</b>						
GF-State			0			0
GF-Federal			0			0
Other (specify)			0			0
			0			0
			0			0
<b>Total</b>	0	0	0	0	0	0

# Ten-Year Analysis

FN # 3347-2

Bill Number:

HB3347

Agency:

140 - Department of Revenue

## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts

Account, Major Source and Source Code, Title of Fee or Tax	Fiscal Year 12	Fiscal Year 13	2011-13 Total	Fiscal Year 14	Fiscal Year 15	2013-15 Total
Enhanced 911	1,246,000	1,371,000	2,617,000	1,508,100	1,658,910	3,167,010
			0			0
			0			0
			0			0
			0			0
<b>Total</b>	1,246,000	1,371,000	2,617,000	1,508,100	1,658,910	3,167,010

### Estimated Expenditures 1

	Fiscal Year 12	Fiscal Year 13	2011-13 Total	Fiscal Year 14	Fiscal Year 15	2013-15 Total
FTE Staff Years			0.00			0.00
<b>Fund</b>						
GF-State			0			0
GF-Federal			0			0
Other (specify)			0			0
			0			0
			0			0
<b>Total</b>	0	0	0	0	0	0

# Ten-Year Analysis

FN # 3347-2

Bill Number:

HB3347

Agency:

140 - Department of Revenue

## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts

Account, Major Source and Source Code, Title of Fee or Tax	Fiscal Year 16	Fiscal Year 17	2015-17 Total	2008-17 TOTAL
Enhanced 911	1,824,801	2,007,281	3,832,082	12,169,092
			0	0
			0	0
			0	0
			0	0
<b>Total</b>	1,824,801	2,007,281	3,832,082	12,169,092

### Estimated Expenditures 1

	Fiscal Year 16	Fiscal Year 17	2015-17 Total	2008-17 TOTAL
FTE Staff Years			0.00	
<b>Fund</b>				
GF-State			0	0
GF-Federal			0	0
Other (specify)			0	0
			0	0
			0	0
<b>Total</b>	0	0	0	0

# LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

**Bill Number:** 3347 HB

**Title:** Voice over internet protocol

## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- ☐ Cities:
- ☒ Counties: Counties choosing to impose the VOIP tax.
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

## Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☒ Legislation provides local option: Imposition of the county VOIP tax is optional with each county.
- ☒ Key variables cannot be estimated with certainty at this time: How many counties would impose the tax; costs of administration.

### Estimated revenue impacts to:

Indeterminate Impact

### Estimated expenditure impacts to:

Indeterminate Impact

## Part III: Preparation and Approval

Fiscal Note Analyst: Gary Reid	Phone: (360) 725 5032	Date: 02/07/2008
Leg. Committee Contact:	Phone:	Date: 02/06/2008
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 02/07/2008
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 02/13/2008



## **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 allow imposition of an excise tax on Voice Over Internet Protocol (VOIP) telephone subscribers.

Section 1 amends RCW 82.12.020 to define a voice over internet protocol service provider.

Section 2 amends RCW 82.14B.030 (3) to authorize a county legislative authority to impose a county enhanced 911 excise tax of not more than fifty cents per month on each VOIP subscriber. Sixty days advance notice would be required.

Subsection (5) is added to impose a state enhanced 911 excise tax on each VOIP subscriber. Imposition is mandatory, but no rate is provided.

The act would take effect July 1, 2008.

### **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.*

Expenditures for counties imposing the VOIP tax are expected to be minor. Chapter 82.14B RCW requires the local exchange company to collect enhanced 911 taxes on switched lines and the radio communications service company to collect it for radio (cell) lines, so it is assumed that the internet service provider would collect the tax from VOIP subscribers. The Department of Revenue administers the chapter.

### **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.*

Since imposition of the VOIP tax is optional with each county, an estimate of revenues is not possible at this time.

Based on telecom industry data, it is estimated that there are 12 million VOIP lines in the U.S. Since Washington state has a good number of internet service providers and is also home to several major technology firms, assume a 3% share of the VOIP lines, or 360,000.

Assume all counties would first impose the tax beginning January 1, 2009, at the same rate as the state enhanced 911 tax of 20 cents per subscriber. Assume a 10% annual growth rate of VOIP subscribers.

By January 1, 2009, there would be approximately 400,000 VOIP subscribers in this state, each paying \$0.20 per month tax. The first five months are attributed to FY 2009, so  $400,000 \times \$0.20 \times 5 = \$400,000$  total statewide collections for all counties. In FY 2010 collections could total  $440,000 \times \$0.20 \times 12 = \$1,056,000$ .

Different tax rates and imposition by less than all counties would affect total collections.

### **SOURCES**

Department of Revenue  
[telephonyonline.com/voip](http://telephonyonline.com/voip)