

Department of Revenue Fiscal Note

Bill Number: 5050 SB	Title: Small business tax credit	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2010	FY 2011	2009-11	2011-13	2013-15
GF-State-State 01 - Taxes 06 - Tax Credits - B & O	(1,900,000)	(5,000,000)	(6,900,000)	(12,700,000)	(16,400,000)
Total \$	(1,900,000)	(5,000,000)	(6,900,000)	(12,700,000)	(16,400,000)

Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	2.8	1.5	2.1	1.5	1.5
Fund					
GF-STATE-State 001-1	215,500	103,500	319,000	207,000	207,000
Total \$	215,500	103,500	319,000	207,000	207,000

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.

Note: This fiscal note reflects a revision to the expenditure impact and supercedes fiscal note number 5050-1.

This bill increases the small business B&O tax credit from \$35 to \$40 a month.

The bill provides that annually, starting January 1, 2011, this new credit amount shall be increased further by the growth in the consumer price index (CPI) for the state of Washington for the fiscal year ending June 30 of the prior calendar year. If this increase is not a multiple of one dollar, the increase shall be rounded to the nearest multiple of one dollar. If the CPI is a negative number, the credit amount for the following year will remain the same as the previous year. Each year the calculation of this increase in credit amount shall be based on what the previous year's credit amount would have been without regard to rounding to the nearest whole dollar.

This bill also replaces the \$28,000 threshold for having to file excise tax returns with a formula. The formula is the maximum small business credit multiplied by the quotient of 12 and the tax rate specified in RCW 82.04.290(2). This tax rate is 1.5 percent.

This bill is effective January 1, 2010.

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

The estimate is based on data from tax returns submitted to the Department of Revenue in Fiscal Year 2008.

For purposes of this fiscal note, the consumer price index (CPI) growth of 2.2 percent a year is assumed. However, this rate could be higher, in which case the revenue loss to the state resulting from this bill will be greater.

REVENUE ESTIMATES

It is estimated that this bill will reduce state revenue by about \$1.9 million in Fiscal Year 2010 and \$6.9 million in the 2009-2011 Biennium.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2010 -	\$ (1,900)
FY 2011 -	\$ (5,000)
FY 2012 -	\$ (5,900)
FY 2013 -	\$ (6,800)
FY 2014 -	\$ (7,700)
FY 2015 -	\$ (8,700)

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

To implement this legislation, the Department of Revenue (Department) will incur costs of approximately \$215,500 in Fiscal Year 2010. These costs are for programming to set up, test, and verify the computer systems to allow for annual rate changes to the Small Business Credit tables. From the experience of Taxpayer Account Administration, additional staffing will be needed to handle the increase in out-of-balance returns because of the annual change in the credit. For Fiscal Year 2010 this effort is further increased from subsequent years, as there will be two changes in the credit. The Department will also amend two administrative rules. Time and effort equates to approximately 2.8 FTEs.

The Department will incur costs of approximately \$103,500 during Fiscal Year 2011. These costs are to handle additional out-of-balance returns due to the change in the credit and for the amendment of two administrative rules. Time and effort would equate to approximately 1.5 FTEs.

The Department will incur ongoing costs of \$207,000 during the 2011-2013 and 2013-2015 Biennia. These costs are to handle out-of-balance returns due to the change in the credit and for the amendment of two administrative rules each fiscal year. Time and effort would equate to approximately 1.5 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years	2.8	1.5	2.1	1.5	1.5
A-Salaries and Wages	123,800	66,100	189,900	132,200	132,200
B-Employee Benefits	30,900	16,500	47,400	33,000	33,000
E-Goods and Services	42,800	19,400	62,200	38,800	38,800
J-Capital Outlays	18,000	1,500	19,500	3,000	3,000
Total \$	\$215,500	\$103,500	\$319,000	\$207,000	\$207,000

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 2010	FY 2011	2009-11	2011-13	2013-15
EXCISE TAX EX 2	42,583	2.5	1.4	2.0	1.4	1.4
HEARINGS SCHEDULER	32,688	0.0	0.0	0.0	0.0	0.0
IT SPEC 4	63,195	0.2		0.1		
TAX POLICY SP 3	69,756	0.1	0.1	0.1	0.1	0.1
WMS BAND 3	88,546	0.0	0.0	0.0	0.0	0.0
Total FTE's		2.8	1.5	2.1	1.5	1.5

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 expedited process to amend WAC 458-20-101, Tax registration and tax reporting, and WAC 458-20-104, Small business tax relief based on income of business. These rules will be amended each year due to the yearly changes in the tax credit. Persons affected by this rule-making would include new businesses registering for taxes and small businesses able to use tax relief based on income.