Multiple Agency Fiscal Note Summary

Bill Number: 2797 HB	**Title:** Mineral severance tax

Estimated Cash Receipts

Agency Name	2009-11		2011-13		2013-15	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	1,780,000	8,580,000	5,400,000	25,800,000	5,400,000	25,800,000
Total $	**1,780,000**	**8,580,000**	**5,400,000**	**25,800,000**	**5,400,000**	**25,800,000**

Local Gov. Courts *						
Local Gov. Other **		6,800,000		20,400,000		20,400,000
Local Gov. Total		6,800,000		20,400,000		20,400,000

Estimated Expenditures

Agency Name	2009-11			2011-13			2013-15		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	Fiscal note not available								
Department of Revenue	.3	48,600	48,600	.1	16,600	16,600	.1	16,600	16,600
Total	**0.3**	**$48,600**	**$48,600**	**0.1**	**$16,600**	**$16,600**	**0.1**	**$16,600**	**$16,600**

Local Gov. Courts *									
Local Gov. Other **			9,152						
Local Gov. Total			9,152						

Estimated Capital Budget Impact

Agency Name						
Total $						

This fiscal note package does not yet include the analysis from the Office of State Treasurer. It is assumed that the State Treasurer's office will show the disbursements from the county severance taxation account to the counties imposing the new tax in their fiscal note.

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projeciton showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

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

** See local government fiscal note

FNPID 25077

Prepared by: Ryan Black, OFM	Phone: 360-902-0417	Date Published: Preliminary

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

** See local government fiscal note

FNPID 25077

Department of Revenue Fiscal Note

Bill Number: 2797 HB	Title: Mineral severance tax	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Account	FY 2010	FY 2011	2009-11	2011-13	2013-15
GF-State-State 00 - 00 -		1,780,000	1,780,000	5,400,000	5,400,000
NEW-State 00 - 00 -		6,800,000	6,800,000	20,400,000	20,400,000
Total $		8,580,000	8,580,000	25,800,000	25,800,000

Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years		0.5	0.3	0.1	0.1
Account					
GF-STATE-State 001-1		48,600	48,600	16,600	16,600
Total $		48,600	48,600	16,600	16,600

This bill was identified as a proposal governed by the requirements of RCW 43.135.031 (Initiative 960). Therefore, this fiscal analysis includes a projection showing the ten-year cost to tax or fee payers of the proposed taxes or fees.

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: 01/14/2010
Agency Preparation:	Diana Tibbetts	Phone: 360-570-6085	Date: 01/18/2010
Agency Approval:	Don Gutmann	Phone: 360-570-6073	Date: 01/18/2010
OFM Review:	Ryan Black	Phone: 360-902-0417	Date: 01/18/2010

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.

An act related to creating a mineral severance tax.

This legislation creates a new section of chapter in Title 82 RCW.

This legislation allows the legislative body of any county, by ordinance, to impose an new excise tax upon the severance of minerals from the land or waters within the county. Producers are responsible for paying the tax and it is imposed upon the entire production in the county regardless of the place of sale or that delivery may be made outside the county or state. This new tax is in addition to any other imposed taxes at a rate of five percent. One percent will be deposited in the state general fund and four percent will go into the county severance taxation account. The state treasurer will distribute the balance of the county severance taxation account to the county or counties imposing the tax.

The Department of Revenue (Department) is authorized to administer the new tax and can charge a fee up to one percent for administration costs and adopt necessary rules for effective administration.

Two exemptions to the new tax are outlined in the bill:
1. The value of any minerals severed from the land or waters by a person and moved from one place to another in the course of construction in the same site.
2. The value of any minerals owned by a producer exempt from tax by reason of federal law or a compact negotiated by the state with a tribal government.

RCW 43.84.092 (Deposit of surplus balance investment earnings -- Treasury income account -- Accounts and funds credited) is reenacted and amended to include the county severance taxation account.

The effective date of this bill is July 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

Department of Revenue Combined Excise Tax Return data were used to derive this estimate.

It is assumed the earliest that ordinances could become effective is 75 days after the effective date of the bill. The very earliest this tax could be imposed would be September 14, 2010. Furthermore, the Department does not begin administering a new tax in the middle of a month so October 1, 2010 would be the earliest date that the tax could be levied.

For illustrative purposes, this estimate is based on the assumption that all counties with mining/severance businesses as defined in the bill would choose to levy the tax. In reality, any combination of counties may choose to impose a severance tax.

Currently, the state retains one percent of collections for the administrative costs of tax collection so it is assumed that the state would retain one percent for administering the new severance tax. Eight months of collections could occur in Fiscal Year 2011 if all counties levy the tax at the earliest opportunity.

It is assumed that mineral mining/severance activity will remain constant over the life of the fiscal note.

It is assumed that the State Treasurer's office will show the disbursements from the county severance taxation account to the counties imposing the new tax in their fiscal note.

REVENUE ESTIMATES

This new severance tax would generate approximately $2.7 million per fiscal year for state government and over $10 million per fiscal year for local governments if all counties impose the tax.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000): State portion of revenues plus administration fees if all counties levied the tax.

FY 2010 - $ 0
FY 2011 - $ 1,780 (8 months of collections)
FY 2012 - $ 2,700
FY 2013 - $ 2,700
FY 2014 - $ 2,700
FY 2015 - $ 2,700

Local Government, if applicable (cash basis, $000): County portion of revenues less administration fee if all counties levied the tax.

FY 2010 - $ 0
FY 2011 - $ 6,800 (8 months of collections)
FY 2012 - $ 10,200
FY 2013 - $ 10,200
FY 2014 - $ 10,200
FY 2015 - $ 10,200

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 $48,600 during Fiscal Year 2011. These are programming costs to set up, test, and verify the systems to handle the tax, development of forms to report the tax, mailing and processing the returns and adopting one new administrative rule. Time and effort spent would equal 0.5 FTE.

The Department will incur ongoing estimated costs of $16,600 in the 2011-2013 and 2013-2015 Biennia.
These costs are for mailing and processing the returns to report the tax. Time and effort spent would equal 0.1FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years		0.5	0.3	0.1	0.1
A-Salaries and Wages		29,700	29,700	10,800	10,800
B-Employee Benefits		7,400	7,400	2,800	2,800
E-Goods and Services		8,200	8,200	2,800	2,800
J-Capital Outlays		3,300	3,300	200	200
Total $		$48,600	$48,600	$16,600	$16,600

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 3	50,563		0.1	0.1	0.1	0.1
EXCISE TAX EX 4	55,839		0.2	0.1		
HEARINGS SCHEDULER	32,688		0.0	0.0		
IT SPEC 5	69,756		0.1	0.1		
TAX POLICY SP 2	61,628		0.0	0.0		
TAX POLICY SP 3	69,756		0.1	0.0		
WMS BAND 3	88,546		0.0	0.0		
Total FTE's	428,776		0.5	0.3	0.1	0.1

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 adopt a new rule under 458-20-WAC. Persons affected by this rule-making would include those who sever minerals in the county.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 2797 HB	**Title:** Mineral severance tax

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

Legislation Impacts:

- [ ] Cities:
- [X] Counties: New excise tax upon the severance of minerals that could generate over $10 million per fiscal year statewide
- [ ] Special Districts:
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [ ] No fiscal impacts.
- [X] Expenditures represent one-time costs: Adoption of ordinance to impose the tax
- [X] Legislation provides local option: Counties may impose tax
- [ ] Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2010	FY 2011	2009-11	2011-13	2013-15
City					
County		6,800,000	6,800,000	20,400,000	20,400,000
Special District					
TOTAL $		6,800,000	6,800,000	20,400,000	20,400,000
GRAND TOTAL $					47,600,000

Estimated expenditure impacts to:

Jurisdiction	FY 2010	FY 2011	2009-11	2011-13	2013-15
City					
County		9,152	9,152		
Special District					
TOTAL $		9,152	9,152		
GRAND TOTAL $					**9,152**

Part III: Preparation and Approval

Fiscal Note Analyst: Cezanne Murphy-Levesque	Phone: 360/725-5036	Date: 01/20/2010
Leg. Committee Contact:	Phone:	Date: 01/14/2010
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 01/20/2010
OFM Review: Ryan Black	Phone: 360-902-0417	Date: 01/20/2010

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 legislation allows the legislative body of any county, by ordinance, to impose a new excise tax upon the severance of minerals from the land or waters within the county.

Producers are responsible for paying the tax and it is imposed upon the entire production in the county regardless of the place of sale or that delivery may be made outside the county or state. This new tax is in addition to any other imposed taxes at a rate of 5 percent. One percent will be deposited in the state general fund and four percent will go the taxing county.

The Department of Revenue (DOR) shall administer the new tax and can charge a fee up to 1 percent for administration costs.

Two exemptions to the new tax are outlined in the bill:
1. The value of any minerals severed from the land or waters by a person and moved from one place to another in the course of construction in the same site.
2. The value of any minerals owned by a producer exempt from tax by reason of federal law or a compact negotiated by the state with a tribal government.

The earnings from any surplus balance in the county severance taxation account held by the State Treasury would be disbursed to each taxing county proportionately.

The effective date of this bill is July 1, 2010.

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.

Counties would incur minimal one-time expenditures for adopting ordinances to impose the mineral severance tax that total approximately $9,152 statewide in FY 2011. For the purposes of this fiscal note, DOR assumes that all 26 counties with mining/severance businesses as defined in the bill would choose to levy the tax. The typical cost to adopt a simple ordinance per jurisdiction is $352, according to the 2009 LFFN unit cost survey. If all 26 counties adopted ordinances to impose this new tax, the total state-wide cost would be approximately $9,152.

Collection and administration of this tax would be handled at the taxpayer and state levels. Therefore, there would be no ongoing county expenditure impacts.

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.

DOR estimates that the counties would receive over $10 million per fiscal year if all 26 counties with mining/severance businesses imposed the tax. The county revenue, less the administration fee, by fiscal year is as follows:

FY 2010 - $ 0
FY 2011 - $ 6,800,000 (8 months of collections)
FY 2012 - $ 10,200,000
FY 2013 - $ 10,200,000
FY 2014 - $ 10,200,000
FY 2015 - $ 10,200,000

Additional revenue would be received from disbursements of earnings from the county severance taxation account to the counties imposing the new tax. At this time, the State Treasurer's Office cannot estimate the potential revenue because the account’s average daily balance is an unknown variable. It is assumed that this revenue would be minor compared to the revenue generated by the new tax.

DOR ASSUMPTIONS
For illustrative purposes, this estimate is based on the assumption that all 26 counties with mining/severance businesses as defined in the bill would choose to levy the tax. In reality, any combination of counties may choose to impose a severance tax. It is assumed that mineral mining/severance activity will remain constant over the life of the fiscal note.

Currently, the state retains one percent of collections for the administrative costs of tax collection so it is assumed that the state would retain one percent for administering the new severance tax. Eight months of collections could occur in Fiscal Year 2011 if all counties levy the tax at the earliest opportunity.

SOURCES CITED
Department of Revenue fiscal note
Washington State Treasurer's Office
2009 LFFN unit cost survey