Multiple Agency Fiscal Note Summary

Bill Number: 6712 SB	**Title:** Extending tax incentives

Estimated Cash Receipts

Agency Name	2009-11		2011-13		2013-15	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(118,000)	(118,000)	(1,828,000)	(1,828,000)	(2,100,000)	(2,100,000)
Total $	**(118,000)**	**(118,000)**	**(1,828,000)**	**(1,828,000)**	**(2,100,000)**	**(2,100,000)**

Local Gov. Courts *						
Local Gov. Other **	Fiscal note not available					
Local Gov. Total						

Estimated Expenditures

Agency Name	2009-11			2011-13			2013-15		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.0	5,000	5,000	.0	0	0	.0	0	0
Total	**0.0**	**$5,000**	**$5,000**	**0.0**	**$0**	**$0**	**0.0**	**$0**	**$0**

Local Gov. Courts *									
Local Gov. Other **	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Impact

Agency Name						
Total $						

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 25262

FNS029 Multi Agency rollup

Department of Revenue Fiscal Note

Bill Number: 6712 SB	**Title:** Extending tax incentives	**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 01 - Taxes 01 - Retail Sales Tax		(118,000)	(118,000)	(481,000)	(504,000)
GF-State-State 01 - Taxes 05 - Bus and Occup Tax				(1,290,000)	(1,535,000)
GF-State-State 01 - Taxes 59 - Leasehold Excise Tax				(57,000)	(61,000)
Total $		(118,000)	(118,000)	(1,828,000)	(2,100,000)

Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years		0.1	0.0		
Account					
GF-STATE-State 001-1		5,000	5,000		
Total $		5,000	5,000		

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.

Legislative Contact:		Phone:	Date: 01/22/2010
Agency Preparation:	Valerie Torres	Phone: 360-5706084	Date: 01/22/2010
Agency Approval:	Don Gutmann	Phone: 360-570-6073	Date: 01/22/2010
OFM Review:	Ryan Black	Phone: 360-902-0417	Date: 01/23/2010

Request # 6712-1-1

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.

This proposal extends the expiration date for the following tax incentives:

1) The reduced business and occupation (B&O) tax rate for aircraft repair facilities classified as federal aviation regulation Part 145 certificated repair stations;

2) The sales and use tax exemption for new passenger cars, light duty trucks, and medium duty passenger vehicles exclusively powered by a clean alternative fuel; and

3) The six-year leasehold excise tax exemption and the six-year property tax exemption for property used primarily in the manufacturing of alcohol fuel, wood biomass fuel, biodiesel fuel, or biodiesel feedstock.

Under current law aircraft repair facilities classified as federal aviation regulation Part 145 certificated repair stations receive a reduced B&O tax rate. Such firms are subject to B&O tax at a 0.2904 percent rate with respect to their repair activities rather than the standard 0.471 percent tax rate applicable to most other retail sales. This reduced tax rate currently expires on July 1, 2011. This proposal extends the expiration date for the reduced B&O tax rate to July 1, 2024.

Under current law new passenger cars, light duty trucks, and medium duty passenger vehicles exclusively powered by a clean alternative fuel are exempt from sales and use tax. The exemption expires January 1, 2011. This proposal extends the expiration date to July 1, 2015, for this sales and use tax exemption.

Under current law, claims for a six-year leasehold excise tax exemption and/or a six-year property tax exemption for property used primarily in the manufacturing of alcohol fuel, wood biomass fuel, biodiesel fuel, or biodiesel feedstock could be made until December 31, 2009. This proposal extends the expiration date for both of these exemptions so claims can be made through December 31, 2015.

If passed, these extensions would be effective 90 days after the end of the session.

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

Data for this fiscal note comes from:
- Department of Revenue business & occupation tax information
- Department of Revenue leasehold excise tax information and property tax information
- Economic and Revenue Forecast Council, November 2009 Forecast
- Energy Information Administration, Alternatives to Traditional Transportation Fuels 2006 and 2007 Reports
- Global Insight, Light Vehicle Sales November Forecast
- County parcel-level property tax information

In Fiscal Year 2009, 21 firms benefitted from the reduced B&O tax rate for aircraft repair firms. This estimate assumes aircraft repair trends are based on previous sales of aircraft.

In the most recent Alternatives to Traditional Transportation Fuels Report (2007), Washington had 2.1 percent of the U.S. alternative fueled vehicles in use. However, a high percentage of Washington's alternative fueled vehicles are hybrids, which do not qualify for the exemption. Therefore, this estimate assumes that since Washington State's population is two percent of the U.S. population, two percent of the vehicles exclusively powered by a clean alternative fuel that are made available for sale in the U.S. will be purchased in Washington State.

This estimate assumes there will be three new companies producing biodiesel established between Fiscal Year 2011 and 2013. Two of these companies are assumed to be on private property. Of these, one company is assumed to apply for a property tax exemption in Fiscal Year 2011 and one is assumed to apply for a property tax exemption in Fiscal Year 2013. One of the three new companies is assumed to locate on public land and therefore to apply for a leasehold excise tax exemption in Fiscal Year 2012.

Approved property tax exemptions are valid for six assessment years following the year the new or expanded manufacturing facility becomes operational. An assessment year is the year a property is assessed for property taxes due in the following year. Thus, property tax exemption claims granted in 2012 would apply to assessment years 2013 through 2018 for taxes due in 2014 through 2019.

Approved leasehold excise tax exemptions are valid for six years from the date that the new manufacturing facility or the expanded manufacturing facility becomes operational. Thus, leasehold excise tax exemption claims granted in 2012 apply to taxes due in 2012 through 2017 and for part of 2018 ending on the date that is six years following the date that the new or expanded manufacturing facility becomes operational.

REVENUE ESTIMATES

The state revenue decrease from the extension of the reduced B&O rate is $577,000 for the 11 months of collections in Fiscal Year 2012, and $713,000 in Fiscal Year 2013, the first full fiscal year.

The state revenue decrease from the extension of the sales and use tax exemption is $118,000 for the second half of Fiscal Year 2011and $238,000 for Fiscal Year 2012, the first full fiscal year.

The local revenue decrease from the extension of the sales and use tax exemption is $41,000 for the second half of Fiscal Year 2011and $83,000 for Fiscal Year 2012, the first full fiscal year.

The state property tax levy is predicted to remain below the $3.60 statutory rate limit throughout the 2013-15 Biennium. Therefore, extending the property tax exemption will not reduce the state school levy but will result in a shift of state property taxes to other taxpayers of an estimated $13,000 for Fiscal Year 2012 and $26,000 in Fiscal Year 2013, the first full fiscal year.

The state leasehold excise tax collections would decrease by $28,000 for Fiscal Year 2012, a full fiscal year's collections. The local loss for Fiscal Year 2012 would be $30,000.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):

FY 2010 -	$ 0
FY 2011 -	$ (118)
FY 2012 -	$ (843)
FY 2013 -	$ (985)
FY 2014 -	$ (1,028)
FY 2015 -	$ (1,072)

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

FY 2010 -	$ 0
FY 2011 -	$ (41)
FY 2012 -	$ (113)
FY 2013 -	$ (121)
FY 2014 -	$ (130)
FY 2015 -	$ (138)

DETAIL OF REVENUE IMPACT FOR PROPERTY TAX BILLS, Calendar Year Basis

Only property tax revenue impacts are included in this section.

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

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

CY 2010 -	$ 0
CY 2011 -	$ 0
CY 2012 -	$ 26
CY 2013 -	$ 26
CY 2014 -	$ 51
CY 2015 -	$ 52

Local Government, Impact on Revenues ($000)

CY 2010 -	$ 0
CY 2011 -	$ 0
CY 2012 -	$ (10)
CY 2013 -	$ (11)
CY 2014 -	$ (21)
CY 2015 -	$ (22)

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

CY 2010 -	$ 0
CY 2011 -	$ 0
CY 2012 -	$ 109
CY 2013 -	$ 112
CY 2014 -	$ 222
CY 2015 -	$ 228

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 $5,000 in Fiscal Year 2011. These costs are for amendment of one administrative rule.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years		0.1	0.0		
A-Salaries and Wages		3,200	3,200		
B-Employee Benefits		800	800		
E-Goods and Services		700	700		
J-Capital Outlays		300	300		
Total $		$5,000	$5,000		

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
HEARINGS SCHEDULER	32,688		0.0	0.0		
TAX POLICY SP 3	69,756		0.0	0.0		
WMS BAND 3	88,546		0.0	0.0		
Total FTE's	190,990		0.1	0.0		

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 458-20-279, titled: "Clean alternative fuel vehicles and high gas mileage vehicles". Persons affected by this rule-making would include retail dealers selling, and prospective purchasers of, qualified vehicles.