

Multiple Agency Fiscal Note Summary

Bill Number: 3179 E S HB AMS WM S5186.3	Title: Local excise tax provisions
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Estimated Cash Receipts

Agency Name	2009-11		2011-13		2013-15	
	GF- State	Total	GF- State	Total	GF- State	Total
Total \$						

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	3.3	666,500	666,500	1.8	246,100	246,100	1.0	135,200	135,200
Total	3.3	\$666,500	\$666,500	1.8	\$246,100	\$246,100	1.0	\$135,200	\$135,200

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

Estimated Capital Budget Impact

Agency Name									
Total \$									

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Prepared by: Ryan Black, OFM	Phone: 360-902-0417	Date Published: Preliminary
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 26832

FNS029 Multi Agency rollup

Department of Revenue Fiscal Note

Bill Number: 3179 E S HB AMS WM S5186.3	Title: Local excise tax provisions	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account					
Total \$					

Estimated Expenditures from:

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years		6.6	3.3	1.8	1.0
Account					
GF-STATE-State 001-1		666,500	666,500	246,100	135,200
Total \$		666,500	666,500	246,100	135,200

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.

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OFM Review: Ryan Black	Phone: 360-902-0417	Date: 03/05/2010

Request # 3179-5-2

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 narrative, and supersedes fiscal note number 3179-3.

Note: This fiscal note reflects Senate amendment AMS WM S5186.3 to ESHB 3179.

The engrossed substitute includes some major revisions to the original bill and would affect several local taxes.

Under Section 1 of this bill RCW 82.14.450 is amended as follows:

- Cities may seek voter approval to impose the public safety sales and use tax at a rate not to exceed 0.1 percent.
- If a county imposes the public safety sales and use tax prior to a city within the county, the city tax rate may not exceed an amount that would cause the total tax rate for the county and city to exceed 0.3 percent.
- If a city imposes the tax prior to the county in which the city is located, the county must provide a credit against its tax for the city tax.
- Fifteen percent of the tax proceeds received by a city imposing the public safety sales and use tax must be distributed to the county.
- The non-supplant restrictions for the public safety sales and use tax are completely eliminated.

Section 2 makes the following changes to RCW 82.14.460:

- Beginning January 1, 2011, a city with a population in excess of 50,000 and located in a county with a population over 800,000 is authorized to impose the mental health/chemical dependency sales and use tax if the county has not imposed the tax.
- Once a city has imposed the tax, the county would be prohibited from imposing the tax.

Section 3 of this bill makes the following changes to RCW 82.14.340:

- With respect to the criminal justice sales and use tax, the non-supplant restrictions are completely eliminated and the purpose of the tax is clarified to include services with ancillary benefits to the criminal justice system.

Sections 4 amends the definition of use with respect to natural or manufactured gas such that the use tax is imposed at the location where the gas is burned by the taxpayer or stored in a facility of the taxpayer for later consumption.

Section 6 amends RCW 9.46.113 such that the permitted uses of local gambling taxes are expanded to include any public safety purpose.

Section 7 repeals the law that would have caused the amendments made to RCW 82.14.450 & 460 in 2SSB 5433 (2009) to expire on January 1, 2015.

The bill is effective ninety days after final adjournment of the legislative 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

The portion of section 1 dealing with non-supplanting language would affect the use of local revenues but would not affect

the level of revenues. That language therefore has no local revenue impact.

Section 1 would further allow cities to impose the public safety sales and use tax (whereas previously only the county could). Like the counties, the cities must seek voter approval to do so.

It is assumed that the tax would be proposed to and approved by voters of all cities in Thurston, Pierce, King, Snohomish, Skagit, and Whatcom counties. It is assumed that 50% of the remaining potential city tax increases would also be approved. It is further assumed that the taxes so-imposed would be at the statutory maximum of 0.1 percent.

Cities in counties which already impose the public safety tax at the statutory maximum of 0.3 percent would not impose the tax.

It is assumed that the new taxes/increases would be effective on January 1, 2011 since the Department of Revenue (Department) could only implement the tax with 75 days notice and on the first day of a calendar quarter. This is the soonest such date after a primary or general election. The primary election is in August, 2010.

Section 2, extending the mental health tax to certain cities, affects only Tacoma and Lakewood. They are the only cities with a population of at least 50,000 in a county of at least 800,000 that does not already impose the tax. It is assumed that Tacoma and Lakewood would impose the tax starting on January 1, 2011.

Sections 3 and 6 concern the use of certain local tax revenues. They affect the use of the revenues but not the level of revenues. They have no impact to either state or local governments.

Sections 4 and 5 of this legislation codify current Department interpretation of "use," "used," "using," or "put to use" with respect to natural gas and as such have no revenue impact.

Data sources:

February 2009 Economic and Revenue Forecast - Economic and Revenue Forecast Council

Sales tax return data - Department of Revenue

Local Government Finance Reporting System - State Auditor's Office

State population and urban growth area population - Office of Financial Management

REVENUE ESTIMATES

This bill would have no revenue effect to the state over any time period.

Section 1, extending the public safety tax given the assumptions in this fiscal note, would generate an additional \$25.7 million for local government in the 2009-11 Biennium. This would go up to \$166.1 million in the following biennium.

Section 2, allowing Tacoma and Lakewood to impose the mental health/chemical dependency sales and use tax, would generate an additional \$1.7 million in the 2009-11 Biennium. This would go up to \$10.7 million the following biennium.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

None

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

FY 2010 - \$ 0
FY 2011 - \$ 27,399
FY 2012 - \$ 86,429
FY 2013 - \$ 90,410
FY 2014 - \$ 94,576
FY 2015 - \$ 98,937

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

Assumptions: It is assumed that the tax would be proposed to and approved by voters of all cities in Thurston, Pierce, King, Snohomish, Skagit, and Whatcom counties. It is assumed that 50% of the remaining potential city tax increases would also be approved. It is further assumed that the taxes so-imposed would be at the statutory maximum of 0.1 percent.

To implement this legislation, the Department will incur costs of \$666,500 during Fiscal Year 2011. These are programming costs to set up, test, and verify rate changes, answer taxpayer questions about rate changes, handling a large number of out-of-balance returns, printing and postage to mail rate change notices to affected businesses, and amending one administrative rule. Postage and printing costs included would be \$121,500. Time and effort spent would equal 6.5 FTE's.

The Department will incur estimated costs of \$246,100 in the 2011-2013 Biennium. These costs are for answering questions regarding the tax and handling out-of-balance returns. FTE's are reduced due to the reduction of out-of-balance returns. Time and effort spent during Fiscal Year 2012 would equal 2.5 FTE's and during Fiscal Year 2013 would equal 1 FTE.

The Department will incur estimated costs of \$135,200 during the 2013-2015 Biennium. These costs are for answering questions regarding the tax and handling out-of-balance returns. FTE's are reduced due to the reduction of out-of-balance returns. Time and effort spent during Fiscal Year 2014 would equal one FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2010	FY 2011	2009-11	2011-13	2013-15
FTE Staff Years		6.6	3.3	1.8	1.0
A-Salaries and Wages		318,000	318,000	156,100	85,200
B-Employee Benefits		79,600	79,600	39,000	21,200
E-Goods and Services		222,000	222,000	45,100	25,600
G-Travel		4,200	4,200	2,400	1,200
J-Capital Outlays		42,700	42,700	3,500	2,000
Total \$		\$666,500	\$666,500	\$246,100	\$135,200

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		2.3	1.2	0.8	0.5
EXCISE TAX EX 3	50,563		0.4	0.2	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		0.7	0.4		
REVENUE AGENT 2	47,014		2.8	1.4	0.8	0.4
TAX INFO SPEC 1	36,757		0.1	0.1	0.1	0.1
TAX POLICY SP 3	69,756		0.0	0.0		
WMS BAND 3	88,546		0.0	0.0		
Total FTE's	493,502		6.6	3.3	1.8	1.0

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 458-20-17902 - Brokered natural gas -- Use tax. Persons affected by this rule-making would include users of brokered natural gas.