

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5402 SB	<b>Title:</b> Innovation partnership zones	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Account	FY 2012	FY 2013	2011-13	2013-15	2015-17
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(1,221,000)	(1,620,000)	(2,841,000)	(3,919,000)	(4,650,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(2,000)	(3,000)	(5,000)	(6,000)	(8,000)
<b>Total \$</b>	(1,223,000)	(1,623,000)	(2,846,000)	(3,925,000)	(4,658,000)

### Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years		0.1	0.0		
<b>Account</b>					
GF-STATE-State 001-1		5,600	5,600		
<b>Total \$</b>		5,600	5,600		

### Estimated Capital Budget Impact:

NONE

*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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Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 02/02/2011
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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.*

Under current law, the high unemployment county sales/use tax deferral program (deferral program) provides a deferral of sales/use tax on qualified construction and equipment costs for businesses which are manufacturing, conditioning vegetable seeds, or performing activities related to research and development laboratories or commercial testing laboratories and which are locating or expanding in counties with high unemployment or in Community Empowerment Zones (CEZ) provided that certain employment requirements are met. After all program requirements have been met and verified, the sales and/or use taxes are waived. The deferral program expires on July 1, 2020.

This proposal would include businesses locating or expanding in Innovation Partnership Zones (IPZs) in the deferral program.

IPZs would be eligible for the deferral program beginning July 1, 2011.

The bill takes effect 90 days after final adjournment of the session in which it is enacted.

### 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 Commerce, List of IPZs  
Department of Employment Security, 2009 Employment data  
Department of Revenue Data  
Bureau of Economic Analysis data  
Global Insight's November 2010 forecast

There are 12 IPZs in Washington, 2 IPZs are in counties which currently qualify for the deferral program. A third IPZ is completely contained within a CEZ; however, this proposal would mean that within the IPZ, businesses would not need to meet the employment requirements under the deferral program for CEZs. Therefore, this estimate assumes more projects would be approved in the IPZ contained within a CEZ than would be approved in the CEZ under current law.

To develop an estimate of the level of activity that would qualify for this proposal structure to equipment ratios were used. These assumptions result in an estimated statewide spending level of \$520 million for manufacturing structures for Fiscal Year 2012. IPZ-to-state manufacturing employment ratios were then used to estimate the structure costs located in the IPZs. These assumptions result in an estimated \$23 million in structure costs that qualify for the deferral program in Fiscal Year 2012.

While applications from businesses in IPZs could be accepted as of July 1, 2011, this proposal is effective 90 days after the end of the session and therefore impacts 10 months of collections in Fiscal Year 2012.

#### REVENUE ESTIMATES

This proposal would decrease state general fund revenues by an estimated \$1.2 million in the 10 months impacted in Fiscal Year 2012, and by an estimated \$1.6 million in Fiscal Year 2013, the first full year of impacted collections.

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This proposal would decrease local revenues by an estimated \$455,000 in the 10 months impacted in Fiscal Year 2012, and by an estimated \$603,000 in Fiscal Year 2013, the first full year of impacted collections.

#### TOTAL REVENUE IMPACT:

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

FY 2012 - \$ (1,223)  
FY 2013 - \$ (1,623)  
FY 2014 - \$ (1,851)  
FY 2015 - \$ (2,074)  
FY 2016 - \$ (2,257)  
FY 2017 - \$ (2,401)

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

FY 2012 - \$ (455)  
FY 2013 - \$ (603)  
FY 2014 - \$ (688)  
FY 2015 - \$ (771)  
FY 2016 - \$ (839)  
FY 2017 - \$ (893)

## 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*

The Department of Revenue will incur costs of \$5,600 in Fiscal Year 2013, for the amendment of two administrative rules.

## Part III: Expenditure Detail

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

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years		0.1	0.0		
A-Salaries and Wages		3,400	3,400		
B-Employee Benefits		1,000	1,000		
E-Goods and Services		900	900		
J-Capital Outlays		300	300		
<b>Total \$</b>		\$5,600	\$5,600		

### 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 2012	FY 2013	2011-13	2013-15	2015-17
HEARINGS SCHEDULER	32,688		0.0	0.0		
TAX POLICY SP 2	61,628		0.0	0.0		
TAX POLICY SP 3	69,756		0.0	0.0		
WMS BAND 3	88,546		0.0	0.0		
<b>Total FTE's</b>	252,618		0.1	0.1		

## Part IV: Capital Budget Impact

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods*

NONE

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 of Revenue will use the expedited process to amend WAC 458-20-240, titled: "Manufacturer's new employee tax credits - Applications filed after June 30, 2010" and WAC 458-20-24001, titled: "Sales and use tax deferral - Manufacturing and research/development activities in high unemployment counties - Applications filed after June 30, 2010". Persons affected by this rule-making would include business within Innovation Partnership Zones who would qualify for tax deferral.