Multiple Agency Fiscal Note Summary

Bill Number: 2146 HB	**Title:** Local sales and use tax

Estimated Cash Receipts

Agency Name	2011-13		2013-15		2015-17	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	2,376,300	0	5,083,200	0	5,064,200	0
Department of Revenue	1,360,000	1,360,000	2,720,000	2,720,000	2,720,000	2,720,000
Total $	**3,736,300**	**1,360,000**	**7,803,200**	**2,720,000**	**7,784,200**	**2,720,000**

Local Gov. Courts *						
Local Gov. Other **		(3,736,300)		(7,803,200)		(7,784,200)
Local Gov. Total		(3,736,300)		(7,803,200)		(7,784,200)

Estimated Expenditures

Agency Name	2011-13			2013-15			2015-17		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	.0	0	(2,376,300)	.0	0	(5,083,200)	.0	0	(5,064,200)
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total	**0.0**	**$0**	**$(2,376,300)**	**0.0**	**$0**	**$(5,083,200)**	**0.0**	**$0**	**$(5,064,200)**

Estimated Capital Budget Impact

NONE

Prepared by: Cherie Berthon, OFM	**Phone:** 360-902-0659	**Date Published:** Final 12/22/2011

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

** See local government fiscal note

FNPID 30418

Individual State Agency Fiscal Note

Bill Number: 2146 HB	Title: Local sales and use tax	Agency: 090-Office of State Treasurer

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2012	FY 2013	2011-13	2013-15	2015-17
General Fund-State 001-1		2,376,300	2,376,300	5,083,200	5,064,200
Streamlined Sales and Use Tax Mitigation Account-State 14L-1		(2,376,300)	(2,376,300)	(5,083,200)	(5,064,200)
Total $					

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
Account					
Streamlined Sales and Use Tax Mitigation Account-State 14L-1	0	(2,376,300)	(2,376,300)	(5,083,200)	(5,064,200)
Total $	0	(2,376,300)	(2,376,300)	(5,083,200)	(5,064,200)

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.

Legislative Contact:		Phone:	Date: 12/08/2011
Agency Preparation:	Dan Mason	Phone: 360-902-9090	Date: 12/16/2011
Agency Approval:	Dan Mason	Phone: 360-902-9090	Date: 12/16/2011
OFM Review:	Cheri Keller	Phone: 360-902-0563	Date: 12/16/2011

Request # 014-2-2

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.

HB 2146 reduces certain local sales and use tax provisions including the streamlined sales tax.

Under section 2, the reduced mitigation estimated amounts as provided by the Department of Revenue are:
FY 13 $ 2,376,300
FY 14 $ 2,543,600
FY 15 $ 2,539,600
FY 16 $ 2,534,600
FY 17 $ 2,529,600
In turn, the transfer from the general fund to the streamlined sales and use tax mitigation account and the distribution from the streamlined sales and use tax mitigation account to local governments are reduced by like amounts.

Earnings from investments:
Estimated earnings from investments are indeterminable because projected cash flows are needed to make the estimate and are currently unavailable. Earnings for an account are a function of the average daily balance of the account and the earnings rate of the investment portfolio. The average daily balance is a function of the beginning balance in the account and the timing & amount of receipts, disbursements, & transfers during the time period in question. Accordingly, even with a beginning balance of zero, two accounts with the same overall level of receipts, disbursements, and transfers can have different average daily balances, and hence different earnings.

For illustrative purposes, assume based on the November 2011 Revenue Forecast that the net rate for estimating earnings for FY 11 is 0.25%, FY 12 is 0.10%, and FY 13 is 0.10%. Approximately $2,500 in FY 11, $1,000 in FY 12, and $1,000 in FY 13 in net earnings and $5,000 in fees would be gained or lost annually for every $1 million increase or decrease in average daily balance.

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.

Under section 2, the reduced mitigation estimated amounts as provided by the Department of Revenue are:
FY 13 $ 2,376,300
FY 14 $ 2,543,600
FY 15 $ 2,539,600
FY 16 $ 2,534,600
FY 17 $ 2,529,600
In turn, the transfer from the general fund to the streamlined sales and use tax mitigation account is reduced by like amounts.

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 functions.

Under section 2, the reduced mitigation estimated amounts as provided by the Department of Revenue are:

FY 13 $ 2,376,300
FY 14 $ 2,543,600
FY 15 $ 2,539,600
FY 16 $ 2,534,600
FY 17 $ 2,529,600

In turn, the distribution from the streamlined sales and use tax mitigation account to local governments is reduced by like amounts.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

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.

Department of Revenue Fiscal Note

Bill Number: 2146 HB	Title: Local sales and use tax	Agency: 140-Department of Revenue

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		1,360,000	1,360,000	2,720,000	2,720,000
Total $		1,360,000	1,360,000	2,720,000	2,720,000

Estimated Expenditures from:

NONE

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.

Legislative Contact:		Phone:	Date: 12/08/2011
Agency Preparation:	Diana Tibbetts	Phone: 360-534-1520	Date: 12/22/2011
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 12/22/2011
OFM Review:	Cherie Berthon	Phone: 360-902-0659	Date: 12/22/2011

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 revenue impacts, and supersedes fiscal note number 2146-1.

Currently, RCW 82.14.415 allows for certain cities that annex large areas to impose an additional local sales and use tax. The annexation tax is credited against the state sales and use tax. All revenues from the annexation tax must be used to provide, maintain, and operate municipal services for the annexation area.

Section 1 of the bill (RCW 82.14.415) reduces distributions of the annexation tax for cities that currently impose the tax. Beginning in Fiscal Year 2013, cities would be eligible for 90% of what they received in Fiscal Year 2012. This legislation does not allow the annexation tax to be levied for any future annexations.

Section 2 (RCW 82.14.500) describes the streamlined sales and use tax (SST) mitigation account. This statute provides for account funding, the determination of local losses due to the sourcing provisions of the streamlined sales and use tax agreement and the SST mitigation distributions to local jurisdictions. Under current law, the amount of money transferred to the account for the 2011-2013 biennium was reduced 3.4 percent. This legislation reduces the amount transferred to the account and the amount of the SST mitigation distributions to local jurisdictions with annual losses by:

- 3.4 percent in Fiscal Year 2012
- 13.4 percent in Fiscal Year 2013, and
- 10 percent each fiscal year beginning in Fiscal Year 2014.

For Fiscal Year 2012, the Department of Revenue (Department) would reduce the quarterly distributions so that the cumulative amount distributed would be reduced by the lesser of 3.4 percent of the full fiscal year's distributions or the full amount of the last two quarterly distributions.

In Fiscal Year 2013, each quarterly distribution would be reduced by 13.4 percent. Beginning with Fiscal Year 2014, each quarterly distribution would be reduced by 10 percent.

This bill also freezes the annual losses as determined and updated by the Department through the effective date of this bill. The Department no longer would have an annual meeting allowing jurisdictions to bring forward additional adjustments and would no longer adjust the annual losses.

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.

REVENUE ESTIMATES

Two cities levied the annexation tax in Fiscal Year 2009, 6 cities levied the tax in Fiscal Year 2010 and 7 cities currently levy the annexation tax. In Fiscal Year 2011, over $8.1 million was distributed to local governments. Fiscal Year 2013 annexation tax distributions are estimated to be $13.6 million. A 10 percent reduction based on current data would generate approximately $1.36 million for state government per fiscal year.

It is unknown what the state may gain due to excluding any new eligible jurisdictions from levying the annexation tax. The $1.36 million gain reflects the reduction in the annexation tax for jurisdictions currently levying the tax.

The impact for the reduced mitigation payments is reflected on the Office of the State Treasurer's (OST) fiscal note. The Department of Revenue calculates the quarterly mitigation payments and OST transfers and distributes the funds. The reduction in mitigation payments would result in savings of $ 2.376 million in Fiscal Year 2013.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):

FY 2012 - $ 0
FY 2013 - $ 1,360
FY 2014 - $ 1,360
FY 2015 - $ 1,360
FY 2016 - $ 1,360
FY 2017 - $ 1,360

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

FY 2012 - $ 0
FY 2013 - $ (1,360)
FY 2014 - $ (1,360)
FY 2015 - $ (1,360)
FY 2016 - $ (1,360)
FY 2017 - $ (1,360)

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 will not incur any costs with the implementation of this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

Part IV: Capital Budget Impact

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and dexcribe 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.

No rule-making required.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 2146 HB	**Title:** Local sales and use tax

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

Legislation Impacts:

☒ Cities: Decrease in cash receipts

☒ Counties: Decrease in cash receipts

☒ Special Districts: Decrease in cash receipts

☒ Specific jurisdictions only: Cities currently levying the annexation tax and jurisdictions collecting streamlined sales and use tax (SST) mitigation distributions

☐ Variance occurs due to:

Part II: Estimates

☐ No fiscal impacts.

☐ Expenditures represent one-time costs:

☐ Legislation provides local option:

☐ Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2012	FY 2013	2011-13	2013-15	2015-17
City		(2,713,400)	(2,713,400)	(5,615,200)	(5,604,400)
County		(4,100)	(4,100)	(8,600)	(8,600)
Special District		(1,018,800)	(1,018,800)	(2,179,400)	(2,171,200)
TOTAL $		(3,736,300)	(3,736,300)	(7,803,200)	(7,784,200)
GRAND TOTAL $					(19,323,700)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Grete Willis	Phone: 360/725-5040	Date: 12/19/2011
Leg. Committee Contact:	Phone:	Date: 12/08/2011
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 12/19/2011
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 12/20/2011

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

HB 2146 would amend RCW 82.14 to reduce certain local sales and use tax provisions.

Section 1 would reduce distribution of the annexation tax for cities that currently impose the tax. Fiscal Year 2013 distribution would be 10 percent less than that of Fiscal Year 2012. The bill would not allow the annexation tax to be levied for any future annexations.

Section 2 would reduce the amount of money transferred to the streamlined sales and use tax (SST) mitigation account and the SST mitigation distributions to local jurisdictions. Current law reduces the amount transferred to the account by 3.4 percent for the 2011-2013 biennium. The legislation would reduce the amount transferred by 13.4 percent (an additional ten percent over current law) in Fiscal Year 2013 and by ten percent each fiscal year beginning in Fiscal Year 2014.

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.

None

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.

The Department of Revenue estimates that the reduced distribution of the annexation tax and the reduced streamlined sales and use tax (SST) mitigation would result in an overall decrease in cash receipts to local government in the following amounts:

FY 13 $3,736,300 ($1,360,000+$2,376,300)
FY 14 $3,903,600 ($1,360,000+$2,543,600)
FY 15 $3,899,600 ($1,360,000+$2,539,600)
FY 16 $3,894,600 ($1,360,000+$2,534,600)
FY 17 $3,889,600 ($1,360,000+$2,529,600)

Section 1 Impact

Currently seven cities levy the annexation tax. The Department of Revenue estimates that annexation tax distributions will be $13.6 million in Fiscal Year 2013. A 10 percent reduction would result in a decrease in cash receipts totaling $1.36 million per year for the seven affected cities.

The estimated impact on specific cities ranges from a reduction of $31,500 in Burien to a reduction of $380,600 in Kent.

Section 2 Impact

Currently 52 cities, two counties, and eight special districts collect mitigation distributions. The legislation would reduce the mitigation distributions to local government as estimated by the Department of Revenue:

FY 13 $2,376,300
FY 14 $2,543,600
FY 15 $2,539,600
FY 16 $2,534,600
FY 17 $2,529,600

The division of the reduction in mitigation distributions between counties, cities, and special districts is based on projections provided by the Department of Revenue for Fiscal Year 2013. The Local Government Fiscal Note program assumes the same division in estimating the reductions for subsequent fiscal years.

SOURCES:

Department of Revenue
Office of the State Treasurer
Association of Washington Cities