

Multiple Agency Fiscal Note Summary

Bill Number: 6548 SB	Title: Tax on high income earners
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Estimated Cash Receipts

Agency Name	2011-13		2013-15		2015-17	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost. Please see discussion."					
Department of Revenue	43,470,000	43,470,000	319,295,000	319,295,000	350,360,000	350,360,000
Total \$	43,470,000	43,470,000	319,295,000	319,295,000	350,360,000	350,360,000

Estimated Expenditures

Agency Name	2011-13			2013-15			2015-17		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Administrative Office of the Courts	.0	0	0	.0	0	0	.0	0	0
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Caseload Forecast Council	.0	0	0	.0	0	0	.0	0	0
Department of Retirement Systems	.4	0	502,336	.2	0	47,050	.2	0	47,050
Department of Revenue	8.5	12,098,800	12,098,800	18.6	7,302,000	7,302,000	15.6	5,783,300	5,783,300
Board of Tax Appeals	.0	0	0	3.1	622,948	622,948	5.0	919,404	919,404
Department of Corrections	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Actuarial Fiscal Note - State Actuary	.0	0	0	.0	0	0	.0	0	0
Total	8.9	\$12,098,800	\$12,601,136	21.9	\$7,924,948	\$7,971,998	20.8	\$6,702,704	\$6,749,754

Local Gov. Courts *									
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Impact

NONE

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.

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

** See local government fiscal note

FNPID 31943

FNS029 Multi Agency rollup

Prepared by: Cherie Berthon, OFM	Phone: 360-902-0659	Date Published: Final 2/13/2012
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID 31943

FNS029 Multi Agency rollup

Judicial Impact Fiscal Note

Bill Number: 6548 SB	Title: Tax on high income earners	Agency: 055-Admin Office of the Courts
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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
Counties					
Cities					
Total \$					

Estimated Expenditures from:

COUNTY	FY 2012	FY 2013	2011-13	2013-15	2015-17
County FTE Staff Years					
Account					
Local - Counties					
Counties Subtotal \$					
CITY	FY 2012	FY 2013	2011-13	2013-15	2015-17
City FTE Staff Years					
Account					
Local - Cities					
Cities Subtotal \$					
Local Subtotal \$					
Total Estimated Expenditures \$					

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 revenue and expenditure estimates on this page represent the most likely fiscal impact. Responsibility for expenditures may be subject to the provisions of RCW 43.135.060.

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.

Contact	Phone:	Date: 01/30/2012
Agency Preparation: Gil Austin	Phone: 360-705-5271	Date: 02/01/2012
Agency Approval: Dirk Marler	Phone: 360-705-5211	Date: 02/01/2012
OFM Review: David Dula	Phone: (360) 902-0543	Date: 02/01/2012

Request # -1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact on the Courts

Section 301 is a new section which imposes a tax at the rate of 1% on all taxable income of resident individuals deriving income from sources in Washington.

Section 701 is a new section and provides that any person who knowingly attempts to evade the tax imposed under this title or payment thereof is guilty of a class C felony.

Any person required to collect tax imposed under this title who knowingly fails to collect, truthfully account for, or pay over the tax is guilty of a class C felony as provided in chapter 9A.20.

Any person who knowingly fails to pay tax, pay estimated tax, make returns, keep records, or supply information, as required under this title, is guilty of a gross misdemeanor as provided in chapter 9A.20.

Section 809 is a New Section that creates the education enrichment account in the state treasury. All receipts from the tax imposed under this title must be deposited in the account.

Section 1203 is a New Section that provides for the act to take effect January 1, 2013, if the proposed amendment to Article VII of the state Constitution, authorizing income taxes, is approved by the voters at the November 2012 general election.

II. B - Cash Receipts Impact

II. C - Expenditures

The Department of Revenue has no estimate of the number of cases that could be filed pursuant to Section 701 of the bill. Oregon AOC has indicated they average one or two cases on income tax annually.

There is no data available to estimate the fiscal impact of this bill. However, it is assumed that the impact would be less than \$50,000 per year.

The \$50,000 expenditure level represents approximately 83 hours (0.07 FTE) of superior court judicial officer time annually cumulative for all superior courts in the state with associated support staff and operational costs. It is assumed, therefore, that this bill would require less than 83 hours of judicial officer time statewide on an annual basis.

Part III: Expenditure Detail

III. A - Expenditure By Object or Purpose (State)

<u>State</u>	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years					
Salaries and Wages					
Employee Benefits					
Personal Service Contracts					
Goods and Services					
Travel					
Capital Outlays					
Inter Agency/Fund Transfers					
Grants, Benefits & Client Services					
Debt Service					
Interagency Reimbursements					
Intra-Agency Reimbursements					
Total \$					

III. B - Expenditure By Object or Purpose (County)

<i>County</i>	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years					
Salaries and Benefits					
Capital					
Other					
Total \$					

III. C - Expenditure By Object or Purpose (City)

<i>City</i>	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years					
Salaries and Benefits					
Capital					
Other					
Total \$					

Part IV: Capital Budget Impact

Individual State Agency Fiscal Note

Bill Number: 6548 SB	Title: Tax on high income earners	Agency: 090-Office of State Treasurer
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost. Please see discussion.

Estimated Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

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: 01/30/2012
Agency Preparation: Dan Mason	Phone: 360-902-9090	Date: 01/31/2012
Agency Approval: Dan Mason	Phone: 360-902-9090	Date: 01/31/2012
OFM Review: Cheri Keller	Phone: 360-902-0563	Date: 01/31/2012

Request # 084-1

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.

SB 6548 creates the education enrichment account. Earnings from investments will be credited to the general fund.

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.

Debt Limit:

There may be an impact on the debt service limitation calculation. Any change to the earnings credited to the general fund will change, by an equal amount, general state revenues.

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.

SB 6548 creates the education enrichment account. Earnings from investments will be credited to the general fund.

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.

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.

Individual State Agency Fiscal Note

Bill Number: 6548 SB	Title: Tax on high income earners	Agency: 101-Caseload Forecast Council
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Part I: Estimates

☒ No Fiscal Impact

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.

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- ☐ 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: 01/30/2012
Agency Preparation: Ed Vukich	Phone: 360-586-0304	Date: 02/01/2012
Agency Approval: John Steiger	Phone: 360-586-0303	Date: 02/01/2012
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 02/01/2012

Request # 12-32-1

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.

See the attachment.

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.

None.

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.

See the attachment.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

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.

None.

SB 6548

PROVIDING A STABLE SOURCE OF REVENUE FOR EDUCATION BY IMPOSING A TAX ON HIGH INCOME EARNERS

**101 – Caseload Forecast Council
February 1, 2012**

SUMMARY

A brief description of what the measure does that has fiscal impact.

Section 605 establishes a new gross misdemeanor offense regarding employers misusing withheld state income tax monies.

Section 701 establishes a new Class C felony offense regarding evading the state income tax.

Section 701 additionally establishes a new Class C felony offense regarding failing to collect, truthfully account for or pay over the state income tax.

Section 701 additionally establishes a new gross misdemeanor offense regarding the failure to pay the state income tax, keep records or supply information.

EXPENDITURES

Assumptions.

None.

Impact on the Caseload Forecast Council.

This bill would require modification of the Council's adult and juvenile databases and data entry programs. These recurring costs are included in the agency's budget.

Impact on prison and jail beds.

This bill:

- Establishes two new felony offenses and two new gross misdemeanor offenses.

The felony offenses established by this bill are currently not felony offenses under Washington State law. As such, the Caseload Forecast Council has no information about their expected incidence or the sentences that might actually be imposed. Additionally, the Caseload Forecast Council's adult felony sentencing database does not include sentences for any misdemeanor or gross misdemeanor offenses. Therefore, the Caseload Forecast Council cannot reliably predict jail and prison bed impacts resulting from the bill. However:

As Class C felony offenses not ranked on the adult felony sentencing grid, the two felonies established by the bill would be punishable by a standard range term of confinement of 0-12 months in jail, regardless of the offender's prior history. Therefore, any impact would be on jail beds only, unless an aggravated exceptional sentence is imposed.

The gross misdemeanor offenses established by the bill would be punishable by a standard range term of confinement of 0-364 days in jail. Therefore, any impact would be on jail beds only.

Individual State Agency Fiscal Note

Bill Number: 6548 SB	Title: Tax on high income earners	Agency: 124-Department of Retirement Systems
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	0.0	0.7	0.4	0.2	0.2
Account					
Department of Retirement Systems Expense Account-State 600-1	0	452,102	452,102	42,345	42,345
Deferred Compensation Administrative Account-Non-Appropriated 888 -6	0	50,234	50,234	4,705	4,705
Total \$	0	502,336	502,336	47,050	47,050

Estimated Capital Budget Impact:

NONE

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.

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- ☐ 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: 01/30/2012
Agency Preparation: George Pickett	Phone: 360-664-7950	Date: 02/01/2012
Agency Approval: Marcie Frost	Phone: 360-664-7224	Date: 02/01/2012
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 02/02/2012

Request # 12-020-1

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 bill creates a tax to be assessed on the income of individuals, estates, and trusts. The act is to be subject to a vote of the people and if approved the effective date is January 1, 2013.

The following sections in Part X apply this tax to the pension payments made to retirees in the public pension systems and plans currently* administered by the Department of Retirement Systems (DRS):

- Sec. 1001 amends RCW 2.10.180, Judicial Retirement System
- Sec. 1002 amends RCW 2.12.090, Judges' Retirement System
- Sec. 1004 amends RCW 6.15.020, general employee benefit plans
- Sec. 1006 amends RCW 41.32.052, Teachers' Retirement System
- Sec. 1007 amends RCW 41.35.100, School Employees' Retirement System
- Sec. 1008 amends RCW 41.40.052, Public Employees' Retirement System
- Sec. 1009 amends RCW 41.44.240, Statewide City Employees' Retirement
- Sec. 1010 amends RCW 41.26.053, Law Enforcement Officers' and Fire Fighters' Retirement System
- Sec. 1011 amends RCW 43.43.310, Washington State Patrol Retirement System

*This bill does not amend RCW 41.37.015, Public Safety Employees' Retirement System, which went into effect July 1, 2006.

Section 1005 also contains the amendment language stating that DRS is not prohibited from complying with the tax withholding requirements of Title 82A RCW; however, DRS does not administer the Volunteer Fire Fighters' and Reserve Officers' Relief and Pensions retirement system referenced in RCW 41.24.240.

Section 1012 amends RCW 6.15.025. Exemption of pension or retirement plan benefits from execution for judgment for out-of-state income tax and 1991 c 123 s 3 are each repealed.

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.

No impact.

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.

ADMINISTRATIVE ASSUMPTIONS

- DRS will withhold state income tax from the pension payments of retirees/beneficiaries who reside in the state of

Washington, for each of the systems and plans administered by DRS, including payments made by the Deferred Compensation Program as indicated on the IRS form W-4P on file with DRS.

- DRS will withhold income tax from lump sum distributions/withdrawals at a rate determined by the Department of Revenue (DOR).
- DRS will remit state income tax withheld to DOR.
- Income that is subject to the state income tax corresponds to the federal definition of taxable income, except as modified in Parts II and III of this bill.
- DRS will perform balancing, reconciling, remitting, and reporting activities for state and federal income taxes, involving both payroll and pension processes.
- A reporting mechanism will be established to provide state income tax information to DOR from DRS.

The assumptions above were used in developing the following workload impacts and cost estimates.

BENEFITS/CUSTOMER SERVICE

Implementation of this bill requires significant modification to DRS' integrated information systems. An Information Technology Specialist and a Retirement Services Analyst will work to identify system-related business requirements and participate in user acceptance testing of the required system changes. Tasks required to implement the bill include the following:

- Define business requirements for the system modifications
- Conduct user acceptance testing of automated system modifications
- Update policies and procedures
- Update the Retirement Services Division (RSD) Online Operations Manual
- Conduct staff training

Retirement Services Analyst 3 – 252 hours (salaries/benefits) = \$7,906

Information Technology Specialist 4 – 112 hours (salaries/benefits) = \$4,842

Total Estimated Benefits/Customer Service Costs = \$12,748

MEMBER/RETIREE COMMUNICATIONS

Withholding of a state income tax from pensions and other disbursements requires communication to assure members and retirees are aware of the changes. DRS' print and Internet forms and publications will be reviewed and modified to include this information. Hardcopies of the member handbooks will be updated during the regular printing cycle. Tasks required to implement the bill include the following:

- Develop and distribute approximately 140,000 notification letters to retirees
- Modify all necessary publications and forms to include state tax information
- Update Web versions of the online publications and handbooks upon the effective date of the bill
- Notify members and employers of the changes via standard agency communications
- Update retirement seminars and pension workshop materials to provide the new information

Printing and Envelope Cost Estimates = \$8,400
Communication Consultant 3 – 693 hours (salaries/benefits) = \$23,141
Retirement Services Analyst 3 – 23 hours (salaries/benefits) = \$722
Total Estimated Member/Retiree Communication Costs = \$32,263

FISCAL SERVICES

DRS currently withholds federal income tax and remits payments as required. Implementation of a state income tax will require similar processes of balancing, reconciling, remitting and reporting. Tasks required to implement the bill include the following:

- Develop and implement revised procedures for a state income tax
- Balance and remit state income tax payments to DOR for employees based on rules established by DOR
- Balance and remit state income tax payments to DOR for each monthly pension run, and for other payments, for each retirement system administered by DRS, based on rules established by DOR
- Balance amounts withheld to amounts to be reported on employee W-2s (annually)
- Balance amounts withheld to amounts to be reported on IRS 1099-R forms for retirees and others in receipt of retirement funds, for each retirement system administered by DRS (annually)

Financial Analyst 3 – 420 hours each year (salaries/benefits) = \$14,025
Total Estimated Fiscal Services Costs = \$14,025

RECORD KEEPING

DRS currently contracts with separate third-party vendors to provide record keeping services for participants in the Deferred Compensation Program and for Plan 3 members of the Teachers' Retirement System, School Employees' Retirement System and Public Employees' Retirement System. This bill would require modifications to the publications, Internet benefit calculators, forms and reporting systems maintained by the record keepers. Tasks required to implement this bill include the following:

- Modify the reporting systems to accommodate new tax changes
- Modify Internet-based benefit calculators
- Modify publications and forms in normal reprint cycles
- Include state income tax in annual remittance and reconciliation services

Cost for development and implementation = \$150,000
Additional annual cost for expanded remittance and reconciliation services = \$9,500
Total Estimated Record Keeping Costs = \$159,500

AUTOMATED SYSTEMS

As noted above, this bill requires significant modification of DRS' integrated information systems. Tasks required to implement the bill include the following:

- Create a new state income tax withholding calculation process
- Modify the 1099 process to report state income tax withholding
- Review, analyze and design changes for state income tax withholding to over 100 modules in the Member Information, Benefits and Disbursement Systems
- Modify the Electronic Document Imaging System
- Create test plans and conduct user acceptance testing

Programming, testing and verification – 2,640 hours @ \$95 per hour = \$250,800

CTS cost* of \$500 per week for 66 weeks = \$33,000

Total Estimated Costs for Systems Modifications = \$283,800

*cost for mainframe computer processing time and resources at Consolidated Technology Services

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years		0.7	0.4	0.2	0.2
A-Salaries and Wages		37,509	37,509	20,740	20,740
B-Employee Benefits		13,127	13,127	7,310	7,310
C-Personal Service Contracts					
E-Goods and Services		451,700	451,700	19,000	19,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$502,336	\$502,336	\$47,050	\$47,050

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
Communications Consultant 3	51,552		0.3	0.2		
Fiscal Analyst 3	51,552		0.2	0.1	0.2	0.2
Info Tech Specialist 4	69,348		0.1	0.0		
Retirement Services Specialist 3	47,892		0.1	0.1		
Total FTE's	220,344		0.7	0.4	0.2	0.2

Part IV: Capital Budget Impact

NONE

No impact.

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.

New rules will need to be created.

Department of Revenue Fiscal Note

Bill Number: 6548 SB	Title: Tax on high income earners	Agency: 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 00 - 00 -		43,470,000	43,470,000	319,295,000	350,360,000
Total \$		43,470,000	43,470,000	319,295,000	350,360,000

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years		17.0	8.5	18.6	15.6
Account					
GF-STATE-State 001-1		12,098,800	12,098,800	7,302,000	5,783,300
Total \$		12,098,800	12,098,800	7,302,000	5,783,300

Estimated Capital Budget Impact:

NONE

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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.

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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/30/2012
Agency Preparation: Ray Philen	Phone: 360-534-1516	Date: 02/13/2012
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/13/2012
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 02/13/2012

Request # 6548-1-1

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.

An income tax is imposed at a rate of one percent on all taxable income of resident individuals deriving income from sources in Washington for each taxable year. The tax does not apply to corporations. However, partners of partnerships and shareholders of S corporations are subject to tax in their separate or individual capacities.

The tax is based on federal adjusted gross income ("AGI") with certain modifications (e.g., income from municipal bonds issued by other states is added back). A deduction is allowed depending on income: In the case of a joint return or a surviving spouse, \$1 million; in the case of the head of a household, \$750,000; and for individuals or married individuals filing a separate return, \$500,000.

Provisions are included for allocating and apportioning income to this state. A credit is also allowed for the amount of any state business and occupation or public utility taxes paid by an individual operating a business as a sole proprietor.

The bill establishes a system for employer withholding and payment of estimated income tax, including penalties for failure to pay and crimes for evasion. Return filing provisions are included that require tax returns to be filed at the same time federal income tax returns are filed. If an adjustment is made by the taxpayer to his or her federal income tax return, the taxpayer must file an adjusted return with the state of Washington within 30 days. If an adjustment is made by the Internal Revenue Service, an adjustment must be made by the taxpayer to the state of Washington income tax return within 90 days.

The bill provides the Department of Revenue (Department) with rule-making authority to administer and enforce the income tax. The rules to the extent possible must follow the Internal Revenue Code and regulations and rulings of the Treasury Department with respect to the federal income tax.

The bill gives the Board of Tax Appeals jurisdiction over appeals related to income tax.

The personal income tax is contingent upon approval by the voters of a constitutional amendment at the general election in November 2012. If the voters approve the amendment, then the income tax would take effect January 1, 2013. The first income tax return for income earned during calendar year 2013 would be due on April 15, 2014 (although withholding and estimated payments would be due during 2013).

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

Compliance is expected to be 90% in the first year and 95% thereafter.

DATA SOURCES

Federal income tax returns for tax year 2008;
Office of the Forecast Council, and Global Insight, November 2011 forecast.
Department of Revenue excise tax returns.

REVENUE ESTIMATE

Income levels for those individuals earning over \$500,000 are extremely volatile from year to year which may result in this estimate being greatly over or under actual amounts.

State revenues will increase by \$43.5 million in Fiscal Year 2013 and by \$155.5 million in Fiscal Year 2014. Revenue in Fiscal Year 2013 reflects withholding and estimated payments which would be due during 2013.

State Government (cash basis, \$000):

FY 2013 -	\$ 43,470
FY 2014 -	\$ 155,515
FY 2015 -	\$ 163,780
FY 2016 -	\$ 171,380
FY 2017 -	\$ 178,980

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

- Expenditures assume 8,800 individuals will be affected by this proposal.
- It is assumed that the income tax will become effective January 1, 2013, with the first annual returns filed by April 15, 2014.
- It is assumed that taxpayer reporting will be consistent with Internal Revenue Service reporting periods and filing status.
- It is assumed that employer withholding will be received from 1,300 businesses and that 1,300 self-employed individual will file estimated income payments.
- If approved by voters, the effective date provides a very short timeframe for implementation of an automated process to allow withholding payments to be submitted. A manual process will be utilized until the automated systems are in place.

FIRST YEAR COSTS (Fiscal Year 2013):

The Department will incur total costs of \$12,098,800. These costs include:

Labor Costs - Time and effort equates to 17.0 FTE. These costs are incurred for:

- Planning and programming for a new computer system to accept taxpayer returns and other required information and process reporting information for collection, audit, and refund purposes.
- Staffing to assist in resolving policy and interpretation issues.
- Processing withholding and estimated payment returns.
- Resolving error and out of balance returns, conducting desk audits, preparing refunds and assessments, and responding to phone questions.
- Hearing appeals from notices and assessments.
- Adopting three new administrative rules.

Object Costs - \$10,478,500. These costs are to:

- Purchase a software solution to process the new income tax filings and returns.
- Purchase additional server equipment and software licenses.
- Modify document imaging systems.
- Print and mail an informational notice to affected taxpayers.
- Print and mail employee withholding forms.
- Print and mail assessments, credits and delinquency notices.

SECOND YEAR COSTS (Fiscal Year 2014):

The Department will incur total costs of \$4,323,500. These costs include:

Labor Costs - Time and effort equates to 20.6 FTEs. These costs are incurred for:

- Programming to complete income tax software systems as noted for year one costs and ongoing updating and maintenance of existing computer systems.
- Staffing to assist in resolving policy and interpretation issues.
- Processing annual returns, withholding and estimated payment returns.
- Resolving error and out of balance returns, conducting desk audits, preparing refunds and assessments, and responding to phone questions.
- Auditing taxpayer returns.

Object Costs - \$2,520,300. These costs are to:

- Purchase an annual update for the tax reporting software package.
- Modify document imaging systems.
- Print and mail returns and employee withholding forms.
- Print and mail assessments, credits and delinquency notices.
- Provide lockbox services for receiving paper returns.

THIRD YEAR COSTS (Fiscal Year 2015):

The Department will incur total costs of \$2,978,500. These costs include:

Labor Costs - Time and effort equates to 16.5 FTEs. These costs are incurred for:

- Programming for ongoing updating and maintenance of existing computer systems.
- Staffing to assist in resolving policy and interpretation issues.
- Processing annual returns, withholding and estimated payment returns.
- Resolving error and out of balance returns, conducting desk audits, preparing refunds and assessments, and responding to phone questions.
- Auditing taxpayer returns.
- Collecting delinquent returns, notices and assessments.

Object Costs - \$1,505,100. These costs are to:

- Purchase an annual update for the tax reporting software package.
- Print and mail returns and employee withholding forms.
- Print and mail assessments, credits and delinquency notices.
- Provide lockbox services for receiving paper returns.

ONGOING COSTS

Ongoing costs equal \$5,783,300 for the 2015-2017 Biennium. These costs are for activities similar to those described for the third year costs. Time and effort equates to 15.0 FTEs in Fiscal Year 2016 and 16.1 in Fiscal Year 2017.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years		17.0	8.5	18.6	15.6
A-Salaries and Wages		966,000	966,000	2,088,700	1,801,000
B-Employee Benefits		289,800	289,800	626,600	540,300
C-Personal Service Contracts		100,000	100,000		
E-Goods and Services		362,300	362,300	502,100	397,000
G-Travel				11,600	12,800
J-Capital Outlays		10,380,700	10,380,700	4,073,000	3,032,200
Total \$		\$12,098,800	\$12,098,800	\$7,302,000	\$5,783,300

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
EXCISE TAX EX 2	41,316		3.6	1.8	4.0	2.6
EXCISE TAX EX 3	49,056		1.8	0.9	2.0	1.3
EXCISE TAX EX 4	54,156		0.5	0.3	1.0	0.5
FISCAL ANALYST 3	45,600		0.2	0.1	0.5	0.5
FISCAL ANALYST 5	52,872		0.1	0.1	0.1	0.1
FISCAL TECHNICIAN 2	29,592		0.1	0.1	0.1	0.1
FORMS AND RECORDS ANALYST	36,492		0.3	0.2	0.2	0.1
2						
FORMS AND RECORDS ANALYST	41,316		0.1	0.1		
3						
HEARINGS SCHEDULER	31,704		0.0	0.0		
INFO TECH S/A S 6	74,688		4.0	2.0	4.0	4.0
IT SPEC 4	61,296		1.4	0.7	1.1	1.1
OFF ASST 3	29,784		1.4	0.7	0.5	0.1
REVENUE AGENT 2	45,600				0.5	1.1
REVENUE AUDITOR 2	46,728				1.5	1.5
TAX INFO SPEC 4	52,872				0.1	
TAX POLICY SP 2	59,784		0.1	0.1		
TAX POLICY SP 3	67,668		2.6	1.3	2.3	2.2
WMS BAND 2	75,197		0.8	0.4	0.8	0.5
WMS BAND 3	84,691		0.0	0.0		
Total FTE's	980,412		17.0	8.5	18.6	15.6

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 will use the complex rule process to adopt one new rule and the standard process to adopt two new rules under title 458 WAC. Persons affected by this rule-making would include those individuals with adjusted gross income over \$500,000 and those filing a joint return with adjusted gross income over \$1,000,000.

Individual State Agency Fiscal Note

Bill Number: 6548 SB	Title: Tax on high income earners	Agency: 142-Board of Tax Appeals
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years	0.0	0.0	0.0	3.1	5.0
Account					
General Fund-State 001-1	0	0	0	622,948	919,404
Total \$	0	0	0	622,948	919,404

Estimated Capital Budget Impact:

NONE

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: 01/30/2012
Agency Preparation: Marilyn First	Phone: 360-753-5446	Date: 02/02/2012
Agency Approval: Steve Saynisch	Phone: 360-753-5446	Date: 02/02/2012
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 02/02/2012

Request # 12-6-2

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.

Part IX APPEALS

The Washington State Legislature created the Board of Tax Appeals (Board) as an independent state agency in 1967 to provide taxpayers and taxing authorities with an accessible, fair, and efficient appeals process. The Board hears appeals from decisions of the County Boards of Equalization and the State Department of Revenue (Department). Eleven major appeal types prescribed by law in RCW 82.03.130 currently make up the Board's jurisdiction.

Section 901 of the bill amends RCW 82.03.130, giving the Board of Tax Appeals jurisdiction over appeals related to income tax deficiencies and refunds, including penalties and interest. The bill also provides an intermediate step in the appeal process. A taxpayer petitions the Department for redress before appealing to this Board.

Effective Date(s): If the proposed amendment to Article VII of the state Constitution authorizing income taxes is submitted, approved and ratified by the voters in the November 2012 general election, the act would take effect January 1, 2014, except as follows: Section 1201 of this act would take effect January 1, 2013, and Sections 1203 and 1213 would take effect on January 1, 2018. The first state income tax return filing with the Department would be April 15, 2014. Based on these effective dates, it is anticipated the first appeals to the Board under this bill would occur during the 4th quarter, FY2014. The act takes effect only if the proposed amendment is approved by the voters in the November general election.

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.

The Board of Tax Appeals does not collect fees or taxes. No cash receipts.

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.

Assumptions:

The Board analyzed appeal statistics from other state's boards with a state income tax to determine workload and manpower requirements for this bill. The Board also considered figures provided by the Department on the number of income tax returns filed and appeals anticipated. The Department estimates a total of four million tax returns annually. The Board estimates it would receive approximately 600 appeals per fiscal year as a result of this bill.

The addition of 600 appeals per year will require an additional 5.0 FTE's at the Board: Three Tax Referees and Two Legal Secretary 2 positions hired in April and May, 2014. In addition to salaries and benefits required for these positions, there will be one time start-up costs in FY214 and early FY2015 for equipment, furniture, installation, additional space, and phone system expenses. There will be ongoing costs beginning FY2014 for items such as supplies,

communications, copying, training, information technology expenses. Funding has not been included in the legislation and the Board cannot absorb the workload and accompanying costs.

A review of the bill and its added responsibilities when compared to the current function of the Board indicate there will be no cost savings. However, by adding these responsibilities to the Board rather than allowing the court system to assume the responsibilities, there is a cost avoidance to the Washington State taxpayers in general.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2012	FY 2013	2011-13	2013-15	2015-17
FTE Staff Years				3.1	5.0
A-Salaries and Wages				385,903	617,444
B-Employee Benefits				124,399	199,038
C-Personal Service Contracts					
E-Goods and Services				64,326	102,922
G-Travel					
J-Capital Outlays				48,320	
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total:	\$0	\$0	\$0	\$622,948	\$919,404

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
Legal Secretary 2	41,316				1.3	2.0
Tax Referee	72,276				1.9	3.0
Total FTE's	113,592				3.1	5.0

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.

As the Board's rules (Title 456) are directed toward appeals dealing with the state's present tax structure, they will need to be revised, amended, and otherwise changed to accommodate appeals relating to the income tax.

Individual State Agency Fiscal Note

Bill Number: 6548 SB	Title: Tax on high income earners	Agency: 310-Department of Corrections
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Part I: Estimates

☐

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

Estimated Capital Budget Impact:

NONE

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: 01/30/2012
Agency Preparation: Kari Steelhammer	Phone: (360) 725-8351	Date: 02/13/2012
Agency Approval: Alan Haskins	Phone: 360-725-8264	Date: 02/13/2012
OFM Review: Kate Davis	Phone: (360) 902-0570	Date: 02/13/2012

Request # 059-2

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.

Part VI Withholding—Estimated Tax – Section 605 adds a new section establishing a new gross misdemeanor offense regarding employers misusing state income tax monies.

Part VII Crimes – Section 701 adds a new section establishing two new felony offenses and a gross misdemeanor offense.

1. A new Class C felony offense regarding the evading of income tax.
2. A new Class C felony offense regarding failing to collect, truthfully account for, or pay over income tax.
3. A new gross misdemeanor offense regarding the failure to pay income tax.

Part VIII Administrative Provisions – Section 809 adds a new section creating the education enrichment account.

Part XII Miscellaneous – Section 1203 creates an effective date of January 1, 2013 if the proposed amendment to Article VII of the state Constitution, authorizing income taxes, is approved by the voters at the November 2012 general election.

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.

None.

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.

Senate Bill 6548 establishes two new felony offenses and two gross misdemeanor offenses.

The felony offenses established by this bill are currently not felony offenses under Washington State law. As such, the Caseload Forecast Council has no information about their expected incidence or the sentences that might actually be imposed. Additionally, the Caseload Forecast Council's adult felony sentencing database does not include sentences for any misdemeanor or gross misdemeanor offenses. Therefore, the Caseload Forecast Council cannot reliably predict jail and prison bed impacts resulting from the bill. However:

As Class C felony offenses not ranked on the adult felony sentencing grid, the two felonies established by the bill would be punishable by a standard range term of confinement of 0-12 months in jail, regardless of the offender's prior history. Therefore, any impact would be on jail beds only, unless an aggravated exceptional sentence is imposed.

The gross misdemeanor offenses established by the bill would be punishable by a standard range term of confinement of 0-364 days in jail. Therefore, any impact would be on jail beds only.

The Department assumes that this bill would likely result in an Average Daily Population (ADP) increase of less than 4, although the impact cannot be estimated. Consequently, while the fiscal impact is indeterminate, the Department assumes the costs will be less than \$50,000 per year.

Part III: Expenditure Detail

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.

Individual State Agency Fiscal Note

Bill Number: 6548 SB	Title: Tax on high income earners	Agency: AFN-Actuarial Fiscal Note - State A
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Part I: Estimates

☒

No Fiscal Impact

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: 01/30/2012
Agency Preparation: Darren Painter	Phone: 360-786-6155	Date: 02/06/2012
Agency Approval: Lisa Won	Phone: 360-786-6150	Date: 02/06/2012
OFM Review: Jane Sakson	Phone: 360-902-0549	Date: 02/06/2012

Request # SB 6548-2

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.

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.

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.

Part IV: Capital Budget Impact

NONE

SUMMARY OF RESULTS

This bill establishes a state income tax that applies to “high income earners” and makes benefits payable from the state retirement systems subject to this tax.

HIGHLIGHTS OF ACTUARIAL ANALYSIS

We do not expect this bill will impact the costs of the retirement systems because we expect few, if any, members will be impacted by the bill.

Tax policy changes can impact the disposable income of retirement system members. Changes in disposable income can, in turn, impact retirement behavior. For example, members might retire earlier if their disposable income increases, and might defer retirement if their disposable income decreases. However, we expect few, if any, members would be assessed a tax under this bill. We also expect that this bill will not impact the overall retirement experience of the systems.

WHAT IS THE PROPOSED CHANGE?

Summary Of Change

This bill impacts the following systems:

- ❖ Public Employees' Retirement System.
- ❖ Teachers' Retirement System.
- ❖ School Employees' Retirement System.
- ❖ Public Safety Employees' Retirement System.
- ❖ Law Enforcement Officers' and Fire Fighters' Retirement System.
- ❖ Washington State Patrol Retirement System.
- ❖ Volunteer Fire Fighters' and Reserve Officers' Relief and Pension Fund.
- ❖ Judicial Retirement System.
- ❖ Judges Retirement System.

This bill establishes a state income tax that applies to “high income earners”. The bill impacts the state retirement systems by making benefits payable subject to the state income tax established in the bill.

Actuary's Fiscal Note

The tax generally applies to a single individual with a taxable income exceeding \$500,000, and couples with taxable income exceeding \$1,000,000. The tax rate is 1 percent of taxable income.

Effective Date: 90 days after session.

What Is The Current Situation?

Washington does not currently have a state or local income tax. Benefits paid from the state retirement systems are not subjected to a state or local income tax.

WHAT THE READER SHOULD KNOW

The Office of the State Actuary ("we") prepared this fiscal note based on our understanding of the bill as of the date shown in the footer. We intend this fiscal note to be used by the Legislature during the 2012 Legislative Session only.

We advise readers of this fiscal note to seek professional guidance as to its content and interpretation, and not to rely upon this communication without such guidance. Please read the analysis shown in this fiscal note as a whole. Distribution of, or reliance on, only parts of this fiscal note could result in its misuse, and may mislead others.

ACTUARY'S CERTIFICATION

The undersigned hereby certifies that:

1. The assumptions used are appropriate for the purposes of this analysis.
2. We prepared this fiscal note for the Legislature during the 2012 Legislative Session.
3. We prepared this fiscal note and provided opinions in accordance with Washington State law and accepted actuarial standards of practice as of the date shown in the footer of this fiscal note.

The undersigned, with actuarial credentials, meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

While this fiscal note is meant to be complete, the undersigned is available to provide extra advice and explanations as needed.



Lisa Won, ASA, MAAA
Actuary

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LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 6548 SB	Title: Tax on high income earners
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

☒ Cities: Potential minor expenditure impact related to new crime

☒ Counties: Same as above

☐ Special Districts:

☐ Specific jurisdictions only:

☐ 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: Number of criminal cases that would result is unknown but expected to be minor.

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Darleen Muhly	Phone: (360) 725-5030	Date: 02/09/2012
Leg. Committee Contact:	Phone:	Date: 01/30/2012
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 02/09/2012
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 02/09/2012

Part IV: Analysis

A. SUMMARY OF BILL

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

Pending voter approval, this bill would impose a 1 percent tax on taxable income after the following deductions:

- \$1 million for a joint returns or surviving spouse
- \$750,000 for a head of household
- \$500,000 for an unmarried individual who is not head of household or a surviving spouses

Section 701 would create a Class C felony for tax evasion or failure to collect the tax and would create a gross misdemeanor for knowingly failing to pay tax or estimated tax, make returns, keep records, or supply information as required under this title.

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.

The bill creates a new unranked class C felony crime and a new misdemeanor crime. The misdemeanor costs could accrue to either city or county government while felony costs would only affect counties. The number of cases that could be filed in superior court as a result of this bill is not known, but the Administrative Office of the Courts assumes that this impact would be minor.

It is assumed that no local government employees would have income withheld for this new tax so no impact to local government payroll systems is expected.

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.

No local government revenue impact is expected as a result of this proposed legislation.

SOURCES:

Administrative Office of the Courts fiscal note