

Department of Revenue Fiscal Note

Bill Number: 5812 SB	Title: Businesses hiring veterans	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2014	FY 2015	2013-15	2015-17	2017-19
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(4,400,000)	(4,400,000)	(8,800,000)	(8,800,000)	(8,800,000)
Total \$	(4,400,000)	(4,400,000)	(8,800,000)	(8,800,000)	(8,800,000)

Estimated Expenditures from:

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	1.4	1.0	1.2	1.0	1.0
Account					
GF-STATE-State 001-1	132,800	72,300	205,100	139,400	139,400
Total \$	132,800	72,300	205,100	139,400	139,400

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: 02/25/2013
OFM Review: Cherie Berthon	Phone: 360-902-0659	Date: 02/25/2013

Request # 5812-1-1

Part II: Narrative Explanation

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

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill provides employers a Business and Occupation (B&O) tax credit for hiring unemployed veterans.

The credit equals:

- * 20 percent of wages and benefits paid up to a maximum of \$3,000 for each qualified employment position filled by an unemployed veteran of Operation Enduring Freedom or Operation Iraqi Freedom.
- * 10 percent of wages and benefits paid up to a maximum of \$1,500 for each qualified employment position filled by an unemployed veteran of an armed conflict prior to Operation Enduring Freedom.

The total statewide credit cap is \$10 million per fiscal year.

"Qualified employment position" is a permanent full-time employee employed during two consecutive full calendar quarters. For seasonal employers, the term also includes the equivalent of a full-time employee in work hours for two consecutive full calendar quarters.

"Full-time" means a work week of at least 35 hours.

"Veteran" is any person who has received an honorable discharge or received a discharge for medical reasons with an honorable record, where applicable, and who has served as a member in any branch of the armed forces of the United States, including the national guard and armed forces reserves, and has fulfilled his or her initial military service obligation, and has served in operation enduring freedom, operation Iraqi freedom, or any armed conflict prior to operation enduring freedom.

This bill is effective August 1, 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

- * Annually 2,000 veterans will be impacted by this bill.
- * Cost components of an employee: 70 percent wages and 30 percent benefits.
- * Wages and benefits of veterans employed in the civilian labor market are comparable to those of the general workforce.
- * Businesses employing these veterans should have sufficient B&O tax liability to take advantage of all the credits earned.

DATA SOURCES

- * Washington Employment Security Department;
- * U.S. Census;
- * U.S. Bureau of Labor Statistics;
- * U.S. Department of Defense; and
- * Various military data sources.

REVENUE ESTIMATES

It is estimated that this bill will reduce state revenue by about \$4.4 million annually.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2014 -	\$ (4,400)
FY 2015 -	\$ (4,400)
FY 2016 -	\$ (4,400)
FY 2017 -	\$ (4,400)
FY 2018 -	\$ (4,400)
FY 2019 -	\$ (4,400)

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

ASSUMPTIONS

Up to 2,000 taxpayers will be affected by this proposal.

INITIAL COSTS

The Department will incur total costs of \$19,800 in Fiscal Year 2013 that are NOT included in the six-year expenditure impact for this fiscal estimate. These start-up costs include:

Labor Costs - Time and effort equates to 0.2 FTE.

- Programming to setup, test, and verify computer systems for a new B&O tax credit.

FIRST YEAR COSTS

The Department will incur total costs of \$132,800 in Fiscal Year 2014. These costs include:

Labor Costs - Time and effort equates to 1.4 FTEs.

- Continued programming to setup, test, and verify computer systems.
- Resolving additional error and out of balance and amended returns, managing document imaging, responding to secure messages and correspondence, answering telephone questions, monitoring reports and assisting taxpayers with reporting.
- Conducting account examinations and issuing assessments or credit adjustments.

SECOND YEAR COSTS

The Department will incur total costs of \$72,300 in Fiscal Year 2015. These costs include:

Labor Costs - Time and effort equates to 1.0 FTE.

- Resolving additional error and out of balance and amended returns, managing document imaging, responding to secure messages and correspondence, answering telephone questions, monitoring reports and assisting taxpayers with reporting.
- Conducting account examinations and issuing assessments or credit adjustments.

ONGOING COSTS

Ongoing costs for the 2015-2017 Biennium equal \$139,400 and include similar activities described in the second year costs. Time and effort equates to 1.0 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2014	FY 2015	2013-15	2015-17	2017-19
FTE Staff Years	1.4	1.0	1.2	1.0	1.0
A-Salaries and Wages	78,800	43,400	122,200	86,800	86,800
B-Employee Benefits	23,700	13,000	36,700	26,000	26,000
E-Goods and Other Services	21,100	13,200	34,300	24,600	24,600
J-Capital Outlays	9,200	2,700	11,900	2,000	2,000
Total \$	\$132,800	\$72,300	\$205,100	\$139,400	\$139,400

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 2014	FY 2015	2013-15	2015-17	2017-19
EXCISE TAX EX 2	42,583	0.6	0.9	0.8	0.9	0.9
EXCISE TAX EX 3	50,563	0.1	0.1	0.1	0.1	0.1
IT SPEC 4	63,195	0.1		0.1		
IT SPEC 5	69,756	0.6		0.3		
Total FTE's	226,097	1.4	1.0	1.2	1.0	1.0

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.

No rule-making required.