

Multiple Agency Fiscal Note Summary

Bill Number: 1576 HB	Title: Annexed areas/sales & use tx
-----------------------------	--

Estimated Cash Receipts

Agency Name	2015-17		2017-19		2019-21	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	0	0	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
Total \$	0	0	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)

Estimated Expenditures

Agency Name	2015-17			2017-19			2019-21		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total	0.0	\$0	\$0	0.0	\$0	\$0	0.0	\$0	\$0

Local Gov. Courts *									
Loc School dist-SPI									
Local Gov. Other **	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Impact

NONE

Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Preliminary 2/ 2/2015
-------------------------------------	---------------------------------	---

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

** See local government fiscal note

ENPID: 38802

FNS029 Multi Agency rollout

Department of Revenue Fiscal Note

Bill Number: 1576 HB	Title: Annexed areas/sales & use tx	Agency: 140-Department of Revenue
-----------------------------	--	--

Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2016	FY 2017	2015-17	2017-19	2019-21
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax				(6,000,000)	(6,000,000)
Total \$				(6,000,000)	(6,000,000)

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: Jeff Mitchell	Phone: 360-786-7139	Date: 01/29/2015
Agency Preparation: Diana Tibbetts	Phone: 360-534-1520	Date: 02/02/2015
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/02/2015
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/02/2015

Request # 1576-1-1

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.

Under current law, RCW 82.14.415 allows certain cities to impose a local sales and use tax, the "annexation tax", to fund municipal services for certain newly annexed areas. The tax is credited against the state sales and use taxes so it does not impact the rate of tax paid by consumers and instead shifts state sales and use taxes to the local government. All revenues from the annexation tax must be used to provide, maintain, and operate municipal services for the annexation area. The tax may be imposed for 10 years.

This legislation limits the annexation tax to be imposed at the beginning of a fiscal year and the tax may continue for no more than six years from the date that each increment of the tax is first imposed. The limitation applies to a annexed area in which the population is greater than 16,000 if the annexed area was, prior to Nov. 1, 2008, officially designated as a potential annexation area by more than one city, one of which has a population greater than 400,000. The cap for distributions of the annexation tax is raised from \$5 million to \$8 million per fiscal year for this particular area.

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

- Effective 90 days after the legislative session adjourns.
- This legislation is intended for the annexation of the unincorporated area between Burien and Seattle.
- Seven jurisdictions currently levy the annexation tax. These jurisdictions received \$13.7 million in Fiscal Year 2013 and \$14.6 million in Fiscal Year 2014.
- The \$5 million credit for a Seattle annexation was accounted for in a past fiscal note.
- Voters rejected the proposed annexation of White Center to Seattle in 2012. It is assumed the annexation proposal will not go to a vote again until 2016, making Fiscal Year 2018 the first year of possible revenue impact. The \$3 million increase in the annexation tax credit for Seattle will occur in Fiscal Year 2018 at the earliest.

DATA SOURCES

Department of Revenue data

White Center Now webpage <<http://whitecenternow.com/categories/annexation/>>

REVENUE ESTIMATES

State government will lose \$3 million beginning in Fiscal Year 2018 and Seattle will gain the corresponding \$3 million.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2016 -	\$	0
FY 2017 -	\$	0
FY 2018 -	\$	(3,000)
FY 2019 -	\$	(3,000)
FY 2020 -	\$	(3,000)
FY 2021 -	\$	(3,000)

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

FY 2016 -	\$	0
-----------	----	---

FY 2017 - \$ 0
FY 2018 - \$ 3,000
FY 2019 - \$ 3,000
FY 2020 - \$ 3,000
FY 2021 - \$ 3,000

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.

The Department of Revenue 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 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.