

Department of Revenue Fiscal Note

Bill Number: 2783 S HB	Title: Tribal member/vehicle sale	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.3	0.2	0.2		
Account					
GF-STATE-State 001-1	32,500	13,400	45,900		
Total \$	32,500	13,400	45,900		

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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Request # 2783-2-1

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.

Note: This fiscal note reflects language in SHB 2783, 2016 Legislative Session.

This bill creates a sales tax exemption on vehicles purchased. The sales must meet the following criteria:

- The vehicle must be delivered in Indian country to a tribe or tribal member, or
- The vehicle sale must be made in Indian country.

In order to qualify for the vehicle to be purchased exempt from sales tax with delivery in Indian country the buyer must provide to the seller:

- a current and valid tribal enrollment card, or
- a valid certificate of enrollment, or
- a letter signed by a tribal official confirming the buyer's current tribal membership status.

In addition the seller must deliver the vehicle to the buyer on a reservation of a federally recognized Indian tribe. The seller must complete a declaration form attesting that deliver was made to that location.

The seller must retain copies of the documentation required. Upon request the buyer must provide to the Department records necessary to verify the buyer's eligibility for the exemption.

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

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS

- If a non-tribal member purchased a vehicle on tribal land then the vehicle dealer would collect use tax as explained in RCW 82.12.040. Thus, there would be no additional tax exempt sales as a result of this legislation.

REVENUE ESTIMATES

This legislation results in no revenue impact to taxes administered by the Department of Revenue.

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:

- Approximately 4,400 taxpayers are affected by this bill.
- Taxpayers must report the amount of excluded income. This requires a new deduction on the combined excise tax return.
- A taxpayer claiming this new tax preference does not need to file an annual survey.

FIRST YEAR COSTS:

The Department will incur total costs of \$32,500 in Fiscal Year 2016. These costs include:

Labor Costs - Time and effort equates to 0.3 FTE.

- Act as liaison with IS; attend implementation meetings, monitor timelines, develop new line, reason, refund and

transaction codes; assist in form development, oversee computer systems, resolve computer system problems, and conduct testing for each return period.

- Program and test system changes.

Object Costs - \$700.

- Print and mail special notice.

SECOND YEAR COSTS:

The Department will incur total costs of \$13,400 in Fiscal Year 2017. These costs include:

Labor Costs - Time and effort equates to 0.17 FTE.

- Amend one administrative rule.
- Program and test system changes.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2016	FY 2017	2015-17	2017-19	2019-21
FTE Staff Years	0.3	0.2	0.2		
A-Salaries and Wages	20,200	8,500	28,700		
B-Employee Benefits	6,000	2,600	8,600		
E-Goods and Other Services	4,300	1,400	5,700		
J-Capital Outlays	2,000	900	2,900		
Total \$	\$32,500	\$13,400	\$45,900		

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 2016	FY 2017	2015-17	2017-19	2019-21
ADM ASST 5	48,432		0.0	0.0		
EMS BAND 4	107,000		0.0	0.0		
EXCISE TAX EX 4	57,516	0.1		0.1		
HEARINGS SCHEDULER	33,672		0.0	0.0		
IT SPEC 4	65,088		0.1	0.1		
IT SPEC 5	71,844	0.2		0.1		
TAX POLICY SP 2	63,480		0.0	0.0		
TAX POLICY SP 3	71,844		0.0	0.0		
TAX POLICY SP 4	77,340		0.0	0.0		
Total FTE's	596,216	0.3	0.2	0.3		

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.

Should this legislation become law, the Department will use the expedited process to amend WAC 458-20-267, titled: "Annual reports for certain tax adjustments." Persons affected by this rule-making would include retail vehicle dealers selling a vehicle to an enrolled tribal member of a tribe located in Washington State.