

Multiple Agency Fiscal Note Summary

Bill Number: 1078 HB	Title: County sales & use tax
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Estimated Cash Receipts

Agency Name	2003-05		2005-07		2007-09	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	746,700	746,700	1,446,100	1,446,100	1,534,100	1,534,100
Total \$	746,700	746,700	1,446,100	1,446,100	1,534,100	1,534,100

Local Gov. Courts *						
Local Gov. Other **	Fiscal note not available					
Local Gov. Total						

Estimated Expenditures

Agency Name	2003-05			2005-07			2007-09		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.3	49,100	49,100	.3	45,300	45,300	.3	45,200	45,200
Total	0.3	\$49,100	\$49,100	0.3	\$45,300	\$45,300	0.3	\$45,200	\$45,200

Local Gov. Courts *									
Local Gov. Other **	Fiscal note not available								
Local Gov. Total									

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Prepared by: Doug Jenkins, OFM	Phone: 360-902-0563	Date Published: Preliminary 1/28/2003
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Department of Revenue Fiscal Note

Bill Number: 1078 HB	Title: County sales & use tax	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2004	FY 2005	2003-05	2005-07	2007-09
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	55,100	691,600	746,700	1,446,100	1,534,100
Total \$	55,100	691,600	746,700	1,446,100	1,534,100

Estimated Expenditures from:

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.3	0.3	0.3	0.3	0.3
Fund					
GF-STATE-State 001-1	26,500	22,600	49,100	45,300	45,200
Total \$	26,500	22,600	49,100	45,300	45,200

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: Mark Matteson	Phone: 360-786-7145	Date: 01/21/2003
Agency Preparation: Diana Tibbetts	Phone: 360-570-6085	Date: 01/24/2003
Agency Approval: Don Taylor	Phone: 360-570-6083	Date: 01/24/2003
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 01/28/2003

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.

Section 1 adds a new section to RCW 84.14. This section allows for an additional local sales and use tax of 0.3 percent. Subsection (1a) allows the county legislative authority to submit to voters a proposition for a new local sales and use tax. Subsection (1b) allows a petition proposing the sales and use tax to be filed with the county auditor. The petition must be signed by a number of voters equal to at least ten percent of the number of voters in the county that voted at the last preceding general election. After the requirements are filled, an authorizing proposition is submitted to the county voters for approval by a majority of those voters.

If the county legislative authority proposes the tax increase, the county legislative authority must prepare an expenditure plan for the proceeds of the tax at least 60 days before the election. If the voters approve a proposal initiated by petition, the county legislative authority has 6 months to prepare an expenditure plan for the tax revenues. Any plan may include 10 percent of the proceeds to be allocated to the cities within the county. The elected officials of the cities will be consulted and a public hearing will be held to obtain public input.

Subsection (5) defines "rural county" as a county with a population density of less than one hundred people per square mile or a county smaller than 225 square miles as determined by the Office of Financial Management.

Section 2 declares a state of emergency and sets an effective date of July 1, 2003.

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/DATA SOURCES

It is presumed that the bill would limit the local sales tax authorization to counties which meet the definition of "rural" as provided in Section 1(5).

This bill would be effective July 1, 2003. To allow for voters to adapt such a tax and the lag time for implementation, it is assumed that the earliest such a tax would be implemented is April 1, 2004.

It is assumed that RCW 82.14.050, allowing state retention of administrative costs, would apply to the 0.3% county local sales/use tax established by this bill. Thus, the state would be entitled to deduct up to 2.0% of the receipts to cover costs of administration. The state currently only deducts 1.0%.

Local tax receipts for the first year reflect the two-month delay for distribution (e.g. taxes paid in April are distributed in June).

Currently, 32 counties fit the description of "rural county" and could levy the tax proposed in this bill.

It is assumed that an additional 0.3% local sales/use tax will have no impact on existing state or local sales/use tax receipts. However, it should be noted that the local sales/use tax rate in at least some of the 32 rural counties is presently as high as 1.8%. Adding the state tax rate, the existing combined tax rate of up to 8.3%, while not as high as in some of the urban counties, results in a tax rate that is already relatively high in comparison with neighboring states. As a result, an additional 0.3% tax rate could result in increased tax avoidance, thereby causing existing sales/use tax revenues to decline. The potential impact of increase tax avoidance is not reflected in this fiscal note.

AUDIT ASSESSMENTS (Impact resulting from recent audit activity)

This bill is not the result of any audit activity conducted by the Department.

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

The bill has no direct impact on state revenues. However, the state would receive 1.0% of the local receipts as reimbursement for the cost of collection. These amounts are shown on the front of this fiscal note.

The potential local receipts are shown below in the attached table for the eligible counties.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000): 1% state administration fee, if levied in all eligible counties:

CY 2004	-	\$ 386	(7 months of cash receipts)
CY 2005	-	681	

Local Government, if applicable (cash basis, \$000): 99% local receipts, if levied in all eligible counties:

CY 2004	-	\$38,204	(7 months of cash receipts)
CY 2005	-	67,457	

(See attached table for estimated impact in each county.)

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.

(Contact: Joanne Gordon, 570-6121)

The Department will incur costs of approximately \$26,500 in FY 2004 to implement this legislation. This amount includes:

0.3 FTE at an ETE level. This FTE increase is necessary for monitoring and distributing the funds.

\$5,000 for printing and postage to notify taxpayers who are affected when a county imposes the additional tax.

0.02 FTE at an ITAS 4 level. Additional programming time will be necessary to change rate tables and make changes to the Geographic Information System.

The Department will also incur ongoing costs of \$22,600 during FY 2005, \$45,300 during the 2005-07 biennium, and \$45,200 during the 2007-09 biennium. These ongoing costs include items one and two as described above.

Without an appropriation to cover the expenditure impact, the Department may not be able to fully implement the legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.3	0.3	0.3	0.3	0.3
A-	13,500	12,500	26,000	25,000	25,000
B-	3,600	3,300	6,900	6,600	6,600
E-	6,900	6,800	13,700	13,600	13,600
J-	2,500		2,500	100	
Total \$	\$26,500	\$22,600	\$49,100	\$45,300	\$45,200

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 2004	FY 2005	2003-05	2005-07	2007-09
Excise Tax Examiner 3	41,520	0.3	0.3	0.3	0.3	0.3
Info Tech Application Spec 4	51,864	0.0				
Total FTE's		0.3	0.3	0.3	0.3	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.

None.

Additional 0.3% Local Sales/Use Tax Potential Yield for Rural Counties*

House Bill 1078

	<u>Cal. Year 2004**</u>	<u>Cal. Year 2005</u>
Adams	\$ 313,700	\$ 553,900
Asotin	307,700	543,300
Benton	4,126,900	7,287,000
Chelan	2,000,700	3,532,700
Clallam	1,393,800	2,461,000
Columbia	52,000	91,800
Cowlitz	2,308,400	4,075,900
Douglas	598,500	1,056,800
Ferry	67,300	118,900
Franklin	1,375,400	2,428,600
Garfield	30,200	53,400
Grant	1,518,500	2,681,200
Grays Harbor	1,725,700	3,047,000
Island	1,189,600	2,100,500
Jefferson	554,100	978,300
Kittitas	808,000	1,426,700
Klickitat	378,900	669,100
Lewis	2,204,500	3,892,400
Lincoln	128,600	227,100
Mason	743,700	1,313,200
Okanogan	629,400	1,111,300
Pacific	312,300	551,400
Pend Oreille	132,500	234,000
San Juan	584,500	1,032,000
Skagit	3,520,200	6,215,700
Skamania	143,800	254,000
Stevens	506,200	893,900
Wahkiakum	41,700	73,700
Walla Walla	1,110,500	1,960,800
Whatcom	4,418,000	7,801,000
Whitman	683,500	1,206,800
Yakima	4,295,100	7,584,000

Net receipts after deduction of 1.0% state administration fee.

*Rural counties are determined yearly by OFM.

**Seven months of cash receipts, assuming implementation on April 1, 2004.