

Multiple Agency Fiscal Note Summary

Bill Number: 5937 SB	Title: Crossfit facilities taxation
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Estimated Cash Receipts

Agency Name	2017-19		2019-21		2021-23	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(2,192,000)	(2,196,000)	(6,574,000)	(6,586,000)	(6,574,000)	(6,586,000)
Total \$	(2,192,000)	(2,196,000)	(6,574,000)	(6,586,000)	(6,574,000)	(6,586,000)

Estimated Expenditures

Agency Name	2017-19			2019-21			2021-23		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.1	7,500	7,500	.0	0	0	.0	0	0
Total	0.1	\$7,500	\$7,500	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

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

** See local government fiscal note

ENPID: 50296

FNS029 Multi Agency rollout

Department of Revenue Fiscal Note

Bill Number: 5937 SB	Title: Crossfit facilities taxation	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2018	FY 2019	2017-19	2019-21	2021-23
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax		(2,628,000)	(2,628,000)	(7,882,000)	(7,882,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax		436,000	436,000	1,308,000	1,308,000
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		(4,000)	(4,000)	(12,000)	(12,000)
Total \$		(2,196,000)	(2,196,000)	(6,586,000)	(6,586,000)

Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years		0.1	0.1		
Account					
GF-STATE-State 001-1		7,500	7,500		
Total \$		7,500	7,500		

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 Preparation: Erin Valz	Phone: 360-534-1522	Date: 01/26/2018
Agency Approval: Kim Davis	Phone: 360-534-1508	Date: 01/26/2018
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 01/26/2018

Request # 5937-1-1

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 excludes charges for the use of a CrossFit center or for CrossFit classes held at a CrossFit center with less than 300 members from the definition of a retail sale.

This bill takes effect on October 1, 2017.

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

- It is assumed this bill will take effect October 1, 2018 not October 1, 2017.
- Due to historical fluctuations in growth assume zero growth in future years.
- A 90 percent compliance factor has been applied to the final estimate.
- Businesses will report their income under the service and other business and occupation tax classification in lieu of the retailing business and occupation tax.
- It is assumed that very few CrossFit facilities have more than 300 members.
- There are about 200 CrossFit facilities in Washington State.
- Impact for Fiscal Year 2019 reflects 8 months cash collections due to the assumed October 1, 2018 effective date.

DATA SOURCES

- CrossFit average monthly pricing for various CrossFit facilities.
- Information on average members per CrossFit facility: board.crossfit.com.
- CrossFit locations in Washington State: map.crossfit.com.

REVENUE ESTIMATES

This proposal decreases state revenues by an estimated \$2.2 million in the 8 months of impacted collections in Fiscal Year 2019 and by \$3.3 million in Fiscal Year 2020, the first full year of impacted collections. This proposal also decreases local revenues by an estimated \$900,000 in the 8 months of impacted collections in Fiscal Year 2019 and by \$1.4 million in Fiscal Year 2020, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2018 -	\$ 0
FY 2019 -	(\$ 2,196)
FY 2020 -	(\$ 3,293)
FY 2021 -	(\$ 3,293)
FY 2022 -	(\$ 3,293)
FY 2023 -	(\$ 3,293)

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

FY 2018 -	\$ 0
FY 2019 -	(\$ 900)
FY 2020 -	(\$ 1,350)
FY 2021 -	(\$ 1,350)

FY 2022 - (\$ 1,350)

FY 2023 - (\$ 1,350)

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:

This proposal impacts approximately 200 taxpayers.

FIRST YEAR COSTS:

The Department of Revenue will incur total costs of \$7,500 in Fiscal Year 2019. These costs include:

Labor Costs - Time and effort equates to 0.1 FTE.

- Amend two excise tax advisories and one rule.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years		0.1	0.1		
A-Salaries and Wages		4,900	4,900		
B-Employee Benefits		1,400	1,400		
E-Goods and Other Services		800	800		
J-Capital Outlays		400	400		
Total \$		\$7,500	\$7,500		

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 2018	FY 2019	2017-19	2019-21	2021-23
ADM ASST 5	50,292		0.0	0.0		
EMS BAND 4	111,105		0.0	0.0		
EMS BAND 5	129,795		0.0	0.0		
HEARINGS SCHEDULER	34,968		0.0	0.0		
TAX POLICY SP 2	65,916		0.0	0.0		
TAX POLICY SP 3	74,604		0.0	0.0		
TAX POLICY SP 4	80,304		0.0	0.0		
Total FTEs			0.1	0.1		

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 of Revenue will use the expedited process to amend WAC 458-20-180, titled: "Amusement, recreation and physical fitness services". Persons affected by this rule-making would include those providing CrossFit services.

Request # 5937-1-1