

Multiple Agency Fiscal Note Summary

Bill Number: 6513 SB	Title: First responder sales tax ex
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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	(5,653,000)	(5,662,000)	(15,759,000)	(15,784,000)	(16,719,000)	(16,746,000)
Total \$	(5,653,000)	(5,662,000)	(15,759,000)	(15,784,000)	(16,719,000)	(16,746,000)

Local Gov. Courts *						
Loc School dist-SPI						
Local Gov. Other **		(2,435,400)		(6,788,431)		(7,202,250)
Local Gov. Total		(2,435,400)		(6,788,431)		(7,202,250)

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	1.0	246,700	246,700	1.7	258,200	258,200	1.7	258,200	258,200
Total	1.0	\$246,700	\$246,700	1.7	\$258,200	\$258,200	1.7	\$258,200	\$258,200

Estimated Capital Budget Impact

NONE

Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Final 1/30/2018
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 50555

Department of Revenue Fiscal Note

Bill Number: 6513 SB	Title: First responder sales tax ex	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		(5,653,000)	(5,653,000)	(15,759,000)	(16,719,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		(9,000)	(9,000)	(25,000)	(27,000)
Total \$		(5,662,000)	(5,662,000)	(15,784,000)	(16,746,000)

Estimated Expenditures from:

Account	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	0.1	1.9	1.0	1.7	1.7
GF-STATE-State 001-1	9,300	237,400	246,700	258,200	258,200
Total \$	9,300	237,400	246,700	258,200	258,200

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: Alia Kennedy	Phone: 360-786-7405	Date: 01/22/2018
Agency Preparation: Erin Valz	Phone: 360-534-1522	Date: 01/26/2018
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 01/26/2018
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 01/29/2018

Request # 6513-1-1

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.

CURRENT LAW:

Municipal governments currently pay sales and use tax on public safety equipment and vehicles.

PROPOSAL:

This bill exempts the following from state and local sales and use tax if purchased by municipal governments or state agencies:

- Public safety vehicles,
- Public safety equipment, and
- Replacement and repair parts for public safety vehicles and equipment.

The exemption is in the form of a refund.

Public safety equipment is defined as equipment used primarily for law enforcement, fire protection, or emergency medical services.

Public safety equipment is defined to include, but is not limited to axes, canteens, cutters, extraction tools, medical supplies, ladders, portable generators, portable radios, boots, bunker coats and pants, canister filter masks, optical and thermal imaging search devices, guns, handcuffs, ammunition, police dogs, and scanners.

Municipal governments include cities, counties, fire protection districts, and regional fire protection authorities.

The Department of Revenue (Department) must determine eligibility for refunds. The Department must remit exempted amounts to municipal governments on a quarterly basis for applications submitted during the previous quarter.

This proposal is effective July 1, 2018

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:

- The first refunds may be provided to municipal governments as early as October 1, 2018. As a result, there will be nine months of impact for Fiscal Year 2019.
- The exemption does not apply to labor for repair services.
- Assume three percent annual growth.

DATA SOURCES:

- Washington State Auditor's Office
- Washington State Department of Natural Resources

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$5.7 million in the 9 months of impacted collections in Fiscal Year 2019, and by \$7.8 million in Fiscal Year 2020, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$2.5 in the 9 months of impacted collections in Fiscal Year 2019, and by \$3.4 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 - (\$ 5,662)
FY 2020 - (\$ 7,775)
FY 2021 - (\$ 8,009)
FY 2022 - (\$ 8,249)
FY 2023 - (\$ 8,497)

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

FY 2018 - \$ 0
FY 2019 - (\$ 2,460)
FY 2020 - (\$ 3,378)
FY 2021 - (\$ 3,479)
FY 2022 - (\$ 3,584)
FY 2023 - (\$ 3,691)

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 bill affects approximately 650 taxpayers.

FIRST YEAR COSTS:

The Department will incur total costs of \$9,300 in Fiscal Year 2018. These costs include:

Labor Costs – Time and effort equates to 0.1 FTE.
- Create a special notice for affected taxpayers.

SECOND YEAR COSTS:

The Department will incur total costs of \$237,400 in Fiscal Year 2019. These costs include:

Labor Costs – Time and effort equates to 1.94 FTEs.
- Review remittances for sales and use tax refunds, issue refunds, conduct account examinations, respond to secure messages and correspondence, answer telephone questions, monitor reports and assist taxpayers with reporting.

Object Costs - \$77,000.
- Contract computer system programming.

ONGOING COSTS:

Ongoing costs for the 2019-2021 Biennium equal \$258,200 and include similar activities described in the second year costs. Time and effort equates to 1.7 FTEs.

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	1.9	1.0	1.7	1.7
A-Salaries and Wages	5,800	96,900	102,700	166,600	166,600
B-Employee Benefits	1,700	29,100	30,800	50,000	50,000
C-Professional Service Contracts		77,000	77,000		
E-Goods and Other Services	1,100	22,000	23,100	34,400	34,400
J-Capital Outlays	700	12,400	13,100	7,200	7,200
Total \$	\$9,300	\$237,400	\$246,700	\$258,200	\$258,200

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 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		
EXCISE TAX EX 2	49,020		1.7	0.9	1.7	1.7
EXCISE TAX EX 4	59,724		0.1	0.1		
HEARINGS SCHEDULER	34,968		0.0	0.0		
TAX INFO SPEC 4	58,284	0.1		0.1		
TAX POLICY SP 2	65,916		0.0	0.0		
TAX POLICY SP 3	74,604		0.1	0.0		
TAX POLICY SP 4	80,304		0.0	0.0		
Total FTE's	714,012	0.1	1.9	1.1	1.7	1.7

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 standard process to adopt a new rule. Persons affected by this rule-making would include first responders, fire departments, emergency medical technicians, and police departments.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 6513 SB	Title: First responder sales tax ex
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities: Revenue decrease
- Counties: Revenue decrease
- Special Districts: Revenue decrease
- Specific jurisdictions only:
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

Jurisdiction	FY 2018	FY 2019	2017-19	2019-21	2021-23
City		(787,608)	(787,608)	(2,195,379)	(2,329,208)
County		(824,870)	(824,870)	(2,299,241)	(2,439,402)
Special District		(822,922)	(822,922)	(2,293,811)	(2,433,640)
TOTAL \$		(2,435,400)	(2,435,400)	(6,788,431)	(7,202,250)
GRAND TOTAL \$					(16,426,081)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Renee Martine-Tebow	Phone: 360-725-5045	Date: 01/29/2018
Leg. Committee Contact: Alia Kennedy	Phone: 360-786-7405	Date: 01/22/2018
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 01/29/2018
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 01/30/2018

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This bill would refund sales and use taxes on public safety vehicles, public safety equipment, and replacement and repair parts for public safety vehicles and equipment if purchased by either municipal governments (counties, cities, fire protection districts, and regional fire protection authorities) or state agencies. "Public safety equipment" is defined as equipment used primarily for law enforcement, fire protection, or emergency medical services, it includes, but is not limited to, the following: axes, canteens, cutters, extraction tools, medical supplies, ladders, portable generators, portable radios, boots, bunker coats and pants, canister filter masks, optical and thermal imaging search devices, guns, handcuffs, ammunition, police dogs, and scanners.

The Department of Revenue must remit exempted amounts to municipal governments on a quarterly basis for applications submitted during the previous quarter.

This proposal is effective July 1, 2018.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

This bill would have no expenditure impact on local governments.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

This bill would decrease cities, counties, fire protection districts, and regional fire protection authorities revenues by an estimated total of \$2.5 million in the nine months of impacted collections in Fiscal Year 2019 and \$3.4 million in Fiscal Year 2020, the first full year of impacted collections.

ASSUMPTIONS:

- The first refunds may be provided to municipal governments as early as October 1, 2018. As a result, there will be nine months of impact for Fiscal Year 2019.
- The exemption does not apply to labor for repair services.

LOCAL GOVERNMENT SALES AND USE TAX DISTRIBUTION:

	County	City	Special District
FY18		Not Applicable	Not Applicable
FY19	-824,870	-787,608	-822,922
FY20	-1,132,687	-1,081,521	-1,130,012
FY21	-1,166,554	-1,113,858	-1,163,799
FY22	-1,201,762	-1,147,475	-1,198,923
FY23	-1,237,640	-1,181,733	-1,234,717

METHODOLOGY:

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2015. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. This results in a distribution of 33.87 percent to counties, 32.34 percent to cities, and 33.79 percent to special districts. The one percent DOR administrative fee has also been deducted.

SOURCES:

- Department of Revenue Fiscal Note
- Department of Revenue Local Tax Distributions
- Local Government Fiscal Note program "Sales and Use Tax Distribution" model (2018)