

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2997 HB	<b>Title:</b>
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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	(13,608,000)	(13,622,000)	(37,145,000)	(37,189,000)	(41,887,000)	(41,939,000)
<b>Total \$</b>	<b>(13,608,000)</b>	<b>(13,622,000)</b>	<b>(37,145,000)</b>	<b>(37,189,000)</b>	<b>(41,887,000)</b>	<b>(41,939,000)</b>

## Estimated Expenditures

Agency Name	2017-19			2019-21			2021-23		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Commerce	Fiscal note not available								
Department of Revenue	3.1	656,200	656,200	6.5	1,138,000	1,138,000	6.5	1,128,000	1,128,000
Utilities and Transportation Commission	Fiscal note not available								
<b>Total</b>	<b>3.1</b>	<b>\$656,200</b>	<b>\$656,200</b>	<b>6.5</b>	<b>\$1,138,000</b>	<b>\$1,138,000</b>	<b>6.5</b>	<b>\$1,128,000</b>	<b>\$1,128,000</b>

## 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

FNPID: 52644

FNS029 Multi Agency rollup

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2997 HB	<b>Title:</b>	<b>Agency:</b> 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		(8,608,000)	(8,608,000)	(27,145,000)	(31,887,000)
GF-STATE-State 01 - Taxes 35 - Public Utilities Tax		(5,000,000)	(5,000,000)	(10,000,000)	(10,000,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		(14,000)	(14,000)	(44,000)	(52,000)
<b>Total \$</b>		(13,622,000)	(13,622,000)	(37,189,000)	(41,939,000)

### Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years		6.1	3.1	6.5	6.5
<b>Account</b>					
GF-STATE-State 001-1		656,200	656,200	1,138,000	1,128,000
<b>Total \$</b>		656,200	656,200	1,138,000	1,128,000

### 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 Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/23/2018
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/23/2018

Request # 2997-1-1

## 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 fiscal note only addresses those sections of the bill that impact the Department of Revenue (Department).

Section 7 and 8 adds a new section to chapters 82.08 and 82.12 RCW. State sales and use tax paid for qualified renewable energy investment projects are eligible for an exemption in the form of a remittance. Charges made for labor and services and tangible personal property that became an ingredient or component of the project are included in the exemption. The total remittance amount a person may receive under section 7 and 8 is limited to one million dollars per eligible project. A person submits the remittance along with documentation of tax paid to the Department no more than once a quarter. The Department must on a quarterly basis remit exempted amounts for forms submitted the previous quarter.

These sections apply to state sales and use tax billed to a person or tangible personal property acquired on or after January 1, 2019. The exemption expires January 1, 2029 and the department may not approve any remittance claimed after December 31, 2029. The exemptions expire therefore the provisions in RCW 82.32.805 and 82.32.808 do not apply.

Section 9 through 12 adds new sections to chapter 82.16 RCW. Beginning July 1, 2019, investor-owned and consumer-owned energy utilities are eligible for a public utilities tax credit in the amount equal to the total amount of the approved clean energy investment expenditures. The total statewide credit taken each fiscal biennium cannot exceed 10 million dollars. The Utilities and Transportation Committee and Department of Commerce must approve the clean energy plan required by each utility who participates in this program. Each investor or consumer-owned utility must establish a separate clean energy investment account to deposit amounts equal to the credit taken. Credits may not be earned after December 31, 2029 and must be claimed by December 31, 2030.

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

- Qualified renewable energy investment project includes small renewable energy systems such as residential solar panels.
- 14 renewable energy projects have been approved or in the permitting process. Each project is estimated to be greater than one million in state sales tax.
- 9 month cash impact for Fiscal Year 2019 due to remittance submitted and refunded on a quarterly basis.
- Full year impact in Fiscal Year 2019 for public utility tax credit utilized throughout the biennium.
- US Energy Information Administration provides report stating the growth of the renewable sector is estimated to be between 6 and 17%. Utilized 10% growth rate for renewable energy sales tax exemption growth rate.
- Utilities will utilize the entire 10 million in credit against public utility tax each biennium.

#### DATA SOURCES

- Department excise tax data.
- Renewable Energy Projects <https://renewablenw.org>
- US Energy Information Administration <https://www.eia.gov/todayinenergy/detail.php?id=21392>
- "Solar is Global, Still Growing and Commoditizing" by Becky See, March 16, 2016  
<http://planwashington.org/blog/archive/what-is-the-market-potential-for-solar/>

#### REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$13,622,000 in the 9 months of impacted collections in Fiscal Year

2019, and by \$17,959,000 in Fiscal Year 2020, the first full year of impacted collections.

**TOTAL REVENUE IMPACT:**

**State Government (cash basis, \$000):**

FY 2018 -	\$ 0
FY 2019 -	(\$ 13,622)
FY 2020 -	(\$ 17,959)
FY 2021 -	(\$ 19,230)
FY 2022 -	(\$ 20,352)
FY 2023 -	(\$ 21,587)

Local Government, if applicable (cash basis, \$000): None

**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 3,500 taxpayers and 60 public utilities.

**FIRST YEAR COSTS:**

The Department will incur total costs of \$656,200 in Fiscal Year 2019. These costs include:

Labor Costs - Time and effort equates to 6.1 FTEs.

- Create two new administrative rules,
- Plan, program and test changes to computer systems,
- Create special notice,
- Update forms and website,
- Answer taxpayer inquiries,
- Review applications,
- Validate projects,
- Issue refunds

Object Costs - \$100,700.

- Computer programming services contracts.

**SECOND YEAR COSTS:**

The Department will incur total costs of \$574,000 in Fiscal Year 2020. These costs include:

Labor Costs - Time and effort equates to 6.5 FTEs.

- Answer taxpayer inquiries,
- Review applications,
- Validate projects,
- Issue refunds

Object Costs - \$7,700.

- Issued refunds

**THIRD YEAR COSTS:**

The Department will incur total costs of \$564,000 in Fiscal Year 2020. These costs include:

Labor Costs - Time and effort equates to 6.5 FTEs.

- Answer taxpayer inquiries,
- Review applications,
- Validate projects,
- Issue refunds

Object Costs - \$7,700.

- Issued refunds

#### ONGOING COSTS:

Ongoing costs for the 2021-2023 Biennium equal \$1,128,000 and include similar activities described in the second year costs. Time and effort equates to 6.5 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		6.1	3.1	6.5	6.5
A-Salaries and Wages		342,600	342,600	725,800	725,800
B-Employee Benefits		102,700	102,700	217,800	217,800
C-Professional Service Contracts		96,800	96,800		
E-Goods and Other Services		74,200	74,200	150,300	148,000
G-Travel				9,200	9,200
J-Capital Outlays		39,900	39,900	34,900	27,200
<b>Total \$</b>		\$656,200	\$656,200	\$1,138,000	\$1,128,000

#### 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 3	54,072		5.0	2.5	5.0	5.0
EXCISE TAX EX 4	59,724		0.3	0.2		
HEARINGS SCHEDULER	34,968		0.0	0.0		
IT SPEC 4	67,584		0.1	0.1		
REVENUE AUDITOR 3	59,724				1.3	1.3
TAX INFO SPEC 4	58,284		0.3	0.2		
TAX POLICY SP 2	65,916		0.0	0.0		
TAX POLICY SP 3	74,604		0.3	0.2	0.2	0.2
TAX POLICY SP 4	80,304		0.0	0.0		
<b>Total FTEs</b>			6.1	3.1	6.5	6.5

### 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 two new chapters under WAC 458-20, titled: "Clean Energy Project Sales & Use Tax Remittance" and "Public Utility Tax - Clean Energy Project Credits". Persons affected by this rule-making would include all taxpayers or public utilities with a clean energy project covered under the provisions of this bill.