

Multiple Agency Fiscal Note Summary

Bill Number: 1054 HB	Title: Diaper sales and use tax ex.
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Estimated Cash Receipts

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(53,666,000)	(53,752,000)	(63,652,000)	(63,754,000)	(68,962,000)	(69,072,000)
Total \$	(53,666,000)	(53,752,000)	(63,652,000)	(63,754,000)	(68,962,000)	(69,072,000)

Local Gov. Courts *						
Loc School dist-SPI						
Local Gov. Other **		(23,370,000)		(27,718,001)		(30,030,000)
Local Gov. Total		(23,370,000)		(27,718,001)		(30,030,000)

Estimated Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.3	37,300	37,300	.0	0	0	.0	0	0
Total \$	0.3	37,300	37,300	0.0	0	0	0.0	0	0

Estimated Capital Budget Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

NONE

Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Final 1/14/2019
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note
FNPID: 53135

FNS029 Multi Agency rollup

Department of Revenue Fiscal Note

Bill Number: 1054 HB	Title: Diaper sales and use tax ex.	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2020	FY 2021	2019-21	2021-23	2023-25
General Fund-State 01 - Taxes 01 - Retail Sales Tax	(23,797,000)	(29,869,000)	(53,666,000)	(63,652,000)	(68,962,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(38,000)	(48,000)	(86,000)	(102,000)	(110,000)
Total \$	(23,835,000)	(29,917,000)	(53,752,000)	(63,754,000)	(69,072,000)

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.5		0.3		
Account					
General Fund-State 001-1	37,300		37,300		
Total \$	37,300		37,300		

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: Rachelle Harris	Phone: 360-786-7137	Date: 01/09/2019
Agency Preparation: Marianne McIntosh	Phone: 360-534-1505	Date: 01/14/2019
Agency Approval: Kim Davis	Phone: 360-534-1508	Date: 01/14/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 01/14/2019

Request # 1054-2-2

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 a revision to the revenue discussion, and supersedes fiscal note number 1054-1.

This bill provides a sales and use tax exemption on the sales of diapers. Diapers are defined as an absorbent garment worn by humans to assist with those who have trouble controlling their bladder and bowel movements.

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

- Effective date is 90 days after session, which is August 1, 2018.
- 10 month cash collections for Fiscal Year 2020.
- Sales tax exemption will not cause people to change (increase) their buying behavior.
- The price of diaper products will increase 2% per year.
- Prices of products available on commercial websites accurately reflect real-world prices for these products.
- Diaper definition includes reusable cloth diapers.
- 95% of children between 0 -3 years old use disposable diapers and 5% use cloth diapers.

DATA SOURCES

- Office of Financial Management
- US Census Bureau
- US Center for Disease Control
- Amazon.com
- Kidsgrowth.com
- Babycenter.com
- Littlefor now.com

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$23.8 million in the 10 months of impacted collections in Fiscal Year 2020, and by \$29.9 million in Fiscal Year 2021, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$10.3 million in the 10 months of impacted collections in Fiscal Year 2020, and by \$13.0 million in Fiscal Year 2021, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2020 -	(\$ 23,835)
FY 2021 -	(\$ 29,917)
FY 2022 -	(\$ 31,217)
FY 2023 -	(\$ 32,537)
FY 2024 -	(\$ 33,849)
FY 2025 -	(\$ 35,223)

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

FY 2020 - (\$ 10,363)
FY 2021 - (\$ 13,007)
FY 2022 - (\$ 13,572)
FY 2023 - (\$ 14,146)
FY 2024 - (\$ 14,716)
FY 2025 - (\$ 15,314)

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 10,000 taxpayers.

FIRST YEAR COSTS:

The Department of Revenue will incur total costs of \$37,300 in Fiscal Year 2020. These costs include:

Labor Costs – Time and effort equates to 0.5 FTEs.

- Create a special notice for affected taxpayers.
- Answer phone calls.

Object Costs - \$1,700.

- Print and mail special notice.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.5		0.3		
A-Salaries and Wages	20,500		20,500		
B-Employee Benefits	6,100		6,100		
C-Professional Service Contracts					
E-Goods and Other Services	7,400		7,400		
G-Travel					
J-Capital Outlays	3,300		3,300		
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	\$37,300		\$37,300		

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 2020	FY 2021	2019-21	2021-23	2023-25
TAX INFO SPEC 1	40,908	0.5		0.3		
Total FTEs		0.5		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.

No rule-making required.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1054 HB	Title: Diaper sales and use 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 2020	FY 2021	2019-21	2021-23	2023-25
City	(3,392,846)	(4,258,492)	(7,651,338)	(9,074,873)	(9,831,822)
County	(3,526,529)	(4,426,282)	(7,952,811)	(9,432,436)	(10,219,209)
Special District	(3,443,625)	(4,322,226)	(7,765,851)	(9,210,692)	(9,978,969)
TOTAL \$	(10,363,000)	(13,007,000)	(23,370,000)	(27,718,001)	(30,030,000)
GRAND TOTAL \$	(81,118,001)				

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Renee Martine-Tebow	Phone: 360-725-5045	Date: 01/14/2019
Leg. Committee Contact: Rachelle Harris	Phone: 360-786-7137	Date: 01/09/2019
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/14/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 01/14/2019

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 provide a sales and use tax exemption on the sales of diapers. Diaper is defined as an absorbent garment worn by humans to assist with those who have trouble controlling their bladder and bowel movements.

This bill would take effect 90 days after final adjournment of the session in which it is enacted.

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 impact on local government expenditures.

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 local government revenues by an estimated \$10.3 million in the 10 months of impacted collections in Fiscal Year 2020, and by \$13.0 million in Fiscal Year 2021, the first full year of impacted collections (Department of Revenue).

ASSUMPTIONS:

- Effective date is 90 days after session, which is August 1, 2018.
- 10 month cash collections for Fiscal Year 2020.
- Sales tax exemption will not cause people to change (increase) their buying behavior.
- The price of diaper products will increase 2% per year.
- Prices of products available on commercial websites accurately reflect real-world prices for these products.
- Diaper definition includes reusable cloth diapers.
- 95% of children between 0-3 years old use disposable diapers and 5% use cloth diapers.

TOTAL REVENUE IMPACT:

County:

FY 2020 -	(\$ 3,526,529)
FY 2021 -	(\$ 4,426,282)
FY 2022 -	(\$ 4,618,552)
FY 2023 -	(\$ 4,813,884)
FY 2024 -	(\$ 5,007,855)
FY 2025 -	(\$ 5,211,354)

City:

FY 2020 -	(\$ 3,392,846)
FY 2021 -	(\$ 4,258,492)
FY 2022 -	(\$ 4,443,473)
FY 2023 -	(\$ 4,631,400)
FY 2024 -	(\$ 4,818,018)
FY 2025 -	(\$ 5,013,804)

Special District:

FY 2020 -	(\$ 3,443,625)
FY 2021 -	(\$ 4,322,226)
FY 2022 -	(\$ 4,509,976)
FY 2023 -	(\$ 4,700,716)
FY 2024 -	(\$ 4,890,127)
FY 2025 -	(\$ 5,088,842)

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 34.03 percent to counties, 32.74 percent to cities, and 33.23 percent to special districts.

SOURCES:

Department of Revenue

Department of Revenue Fiscal Note

Department of Revenue Local Tax Distributions (2016)

Local Government Fiscal Note Program "Local Sales Tax" Model (2019)

Local Government Fiscal Note Program "Local Sales and Use Tax Distributions" Model (2019)