

Multiple Agency Fiscal Note Summary

Bill Number: 5325 SB	Title: Financial information/taxes
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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	(898,000)	(900,000)	(5,391,000)	(5,400,000)	(5,590,000)	(5,600,000)
Total \$	(898,000)	(900,000)	(5,391,000)	(5,400,000)	(5,590,000)	(5,600,000)

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	.0	3,000	3,000	.0	0	0	.0	0	0
Total \$	0.0	3,000	3,000	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 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

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

** See local government fiscal note
FNPID: 53504

FNS029 Multi Agency rollout

Department of Revenue Fiscal Note

Bill Number: 5325 SB	Title: Financial information/taxes	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
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax				(4,393,000)	(4,592,000)
GF-STATE-State 01 - Taxes 10 - Compensating Tax	(399,000)	(499,000)	(898,000)	(998,000)	(998,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax				(7,000)	(8,000)
Performance Audits of Government Account-State 01 - Taxes 10 - Compensating Tax	(1,000)	(1,000)	(2,000)	(2,000)	(2,000)
Total \$	(400,000)	(500,000)	(900,000)	(5,400,000)	(5,600,000)

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.1		0.0		
Account					
GF-STATE-State 001-1	3,000		3,000		
Total \$	3,000		3,000		

Estimated Capital Budget Impact:

NONE

Request # 5325-1-1

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:	Valerie Torres	Phone: 360-534-1521	Date: 01/23/2019
Agency Approval:	Kim Davis	Phone: 360-534-1508	Date: 01/23/2019
OFM Review:	Kathy Cody	Phone: (360) 902-9822	Date: 01/24/2019

Request # 5325-1-1

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.

Under current law, qualifying international investment management service (IIMS) businesses are exempt from sales and use taxes when they purchase or use standard financial information. The purchases are exempt regardless of how the information is transmitted to the buyer. A buyer may claim the exemption on no more than \$15 million in purchases per calendar year. This exemption expires July 1, 2021.

This bill modifies current law by extending the sales tax exemption described above to sales for qualifying IIMS businesses of standard financial information. Thus, under this bill, a person who is not a qualifying IIMS business can claim a sales tax exemption on purchases of standard financial information for a qualifying IIMS business. This applies regardless of whether the buyer is an affiliate of a qualifying IIMS business. The corresponding use tax exemption still only applies to qualifying IIMS businesses. The bill also extends this sales and use tax exemption to July 1, 2031.

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

- The amount of purchases of financial information by qualifying IIMS businesses includes the amount of purchases non-IIMS businesses make for IIMS businesses. Non-qualifying IIMS businesses making sales tax exempt purchases for a qualifying IIMS business owe use tax if the non-qualifying IIMS business also uses the standard financial information for its own purposes.
- Use tax has the lowest compliance rate of taxes collected by the Department of Revenue; therefore, this estimate assumes a reduction in use tax collections for standard financial information purchased and used by non-qualifying IIMS businesses.
- The \$15 million cap applies to each individual buyer, so businesses with affiliated entities could have each entity purchase up to \$15 million in standard financial information.
- Based on the eligible taxpayers reporting the exemption properly, eligible taxpayers reporting this exemption improperly that report more than \$10 million of IIMS activity have exempted sales representing approximately ten percent of the taxpayer's taxable IIMS activities.
- Exempted sales occur primarily in urban areas of Washington; therefore, this estimate uses the average local sales and use tax rate for urban areas of 3.05 percent to estimate local impacts.
- Growth for the exempted sales varies greatly from year to year. This estimate assumes no growth occurs.
- This legislation has a July 26, 2019, effective date, resulting in 10 months of use tax impact in Fiscal Year 2020. The current exemption does not expire until July 1, 2021; therefore, the first full year of retail sales tax impact occurs in Fiscal Year 2022 and represents 11 months.

DATA SOURCES

- Department of Revenue, tax return and buyer's addendum data
- Department of Revenue, Compliance Study 2018

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$900,000 in the 2019-21 Biennium and by an estimated \$5.4 million in the 2021-23 Biennium.

This bill also decreases local revenues by an estimated \$400,000 in the 2019-21 Biennium and by an estimated \$2.5 million in the 2021-23 Biennium.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2020 - (\$ 400)
FY 2021 - (\$ 500)
FY 2022 - (\$ 2,600)
FY 2023 - (\$ 2,800)
FY 2024 - (\$ 2,800)
FY 2025 - (\$ 2,800)

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

FY 2020 - (\$ 200)
FY 2021 - (\$ 200)
FY 2022 - (\$ 1,200)
FY 2023 - (\$ 1,300)
FY 2024 - (\$ 1,300)
FY 2025 - (\$ 1,300)

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:

Ten taxpayers will be affected by this legislation.

FIRST YEAR COSTS:

The Department will incur total costs of \$3,000 in Fiscal Year 2020. These costs include:

- Labor Costs - Time and effort equates to 0.1 FTE.
- Amend one administrative rule.

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	0.1		0.0		
A-Salaries and Wages	2,100		2,100		
B-Employee Benefits	600		600		
E-Goods and Other Services	100		100		
J-Capital Outlays	200		200		
Total \$	\$3,000		\$3,000		

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 2020	FY 2021	2019-21	2021-23	2023-25
EMS BAND 4	115,593	0.0		0.0		
MGMT ANALYST1	45,096	0.0		0.0		
TAX POLICY SP 2	68,580	0.0		0.0		
TAX POLICY SP 3	77,616	0.0		0.0		
TAX POLICY SP 4	83,556	0.0		0.0		
WMS BAND 3	98,308	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 will use the expedited rule-making process to amend WAC 458-20-15503, titled: "Digital products". Persons affected by this rule making would include sellers of standard financial information to international investment firms.