

Multiple Agency Fiscal Note Summary

Bill Number: 5228 S SB	Title: Lodging special excise taxes
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Estimated Cash Receipts

NONE

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	84,000	84,000	.1	16,800	16,800	.1	16,800	16,800
Total \$	0.3	84,000	84,000	0.1	16,800	16,800	0.1	16,800	16,800

Local Gov. Courts *									
Loc School dist-SPI									
Local Gov. Other **	Non-zero but indeterminate cost and/or savings. Please see discussion.								
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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Prepared by: Kathy Cody, OFM	Phone: (360) 902-9822	Date Published: Final 2/12/2019
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

Department of Revenue Fiscal Note

Bill Number: 5228 S SB	Title: Lodging special excise taxes	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.4	0.1	0.3	0.1	0.1
Account					
GF-STATE-State 001-1	75,600	8,400	84,000	16,800	16,800
Total \$	75,600	8,400	84,000	16,800	16,800

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:	Phone:	Date: 02/05/2019
Agency Preparation: Diana Tibbetts	Phone: 360-534-1520	Date: 02/07/2019
Agency Approval: Kim Davis	Phone: 360-534-1508	Date: 02/07/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/07/2019

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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 the special hotel/motel tax is levied to fund tourism promotion. The rate is two percent for most jurisdictions.

Exceptions include:

- For municipalities authorized to impose the tax where the total rate exceeded 4% before July 27, 1997, the rate may not exceed the rate actually imposed on January 31, 1999.
- If a county imposed the tax with a rate of 4% or more on January 1, 1997, no city within that county may impose this tax, unless imposed by a municipality described in the prior bullet point.
- For a city with a population greater than 400,000 that is located in a county with a population greater than 1 million, the rate cannot exceed the lesser of:
 - 4%, or
 - A rate that when combined with all other taxes on lodging sales under chapters 36.100, 82.08 and 82.14, equals 15.2%
- For municipalities authorized to impose the tax where the rate exceeded 6% before January 1, 1998, the rate may not exceed the rate that was imposed on January 1, 1998

Beginning July 1, 2020, this legislation allows cities or towns in a county with a population under 400,000 and the county imposes a 4% or higher tax under RCW 67.28 to impose the special hotel motel tax at 2%. These cities or towns are not limited by the 12% cap on lodging.

July 1, 2020 effective date.

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

- This legislation effects Cowlitz and Grays Harbor counties.
 - Cowlitz County receives the lodging taxes from the unincorporated county and the cities.
 - In Grays Harbor County, Ocean Shores and Westport keep the hotel/motel tax and the rest of the cities' tax is distributed to the County.
- Clark, Pierce, King, Snohomish and Spokane counties have populations over 400,000.
- The following jurisdictions have rates higher than 2%: Bellevue, Cowlitz County, Grays Harbor County, Winthrop, Long Beach, Pierce County, Airway Heights, Yakima, Seattle, Wenatchee and East Wenatchee.

REVENUE ESTIMATES

This legislation results in no state revenue impact. This legislation would increase lodging revenues in some jurisdictions within Cowlitz and Grays Harbor counties while reducing revenues to the jurisdiction's county.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000): None.

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

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 two counties, and fourteen cities.

FIRST YEAR COSTS:

The Department will incur total costs of \$75,600 in Fiscal Year 2020. These costs include:

Labor Costs – Time and effort equates to .4 FTEs.

- Gathering requirements and testing of information systems.
- Assisting local jurisdictions with implementation, system testing, creating and writing procedures.
- Developing new codes for taxes and issuances.
- Overseeing computer systems and testing.

Object Costs - \$35,200.

- Creating new codes in ATLAS.

SECOND YEAR COSTS:

The Department will incur total costs of \$8,400 in Fiscal Year 2021. These costs include:

Labor Costs – Time and effort equates to .1 FTEs.

- Determining local sales tax distribution.

ONGOING COSTS:

Ongoing costs for the 2021-2023 Biennium equal \$16,800 and include similar activities described in the second year costs.

Time and effort equates to 0.1 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.4	0.1	0.3	0.1	0.1
A-Salaries and Wages	25,400	5,600	31,000	11,200	11,200
B-Employee Benefits	7,600	1,700	9,300	3,400	3,400
C-Professional Service Contracts	35,200		35,200		
E-Goods and Other Services	4,700	900	5,600	1,800	1,800
J-Capital Outlays	2,700	200	2,900	400	400
Total \$	\$75,600	\$8,400	\$84,000	\$16,800	\$16,800

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
EXCISE TAX EX 3	56,256	0.1	0.1	0.1	0.1	0.1
IT SPEC 4	70,320	0.1		0.1		
MGMT ANALYST4	63,684	0.2		0.1		
Total FTEs		0.4	0.1	0.3	0.1	0.1

Part IV: Capital Budget Impact

None.

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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: 5228 S SB	Title: Lodging special excise taxes
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: Cities in counties, with populations under 400,000 that have imposed an excise tax under RCW 67.28.180 greater than or equal to four percent, would be able to levy an excise tax on lodging.
- ☐ Counties:
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☒ Legislation provides local option: Allow qualifying cities to levy an excise tax on lodging
- ☒ Key variables cannot be estimated with certainty at this time: The number of cities choosing to levy this tax and the degree of impact is not known.

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Indeterminate Impact

Part III: Preparation and Approval

Fiscal Note Analyst: Tom Gilmore	Phone: 360-725-5038	Date: 02/12/2019
Leg. Committee Contact:	Phone:	Date: 02/05/2019
Agency Approval: Renee Martine-Tebow	Phone: 360-725-5045	Date: 02/12/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/12/2019

Part IV: Analysis

A. SUMMARY OF BILL

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

CHANGES FROM PREVIOUS VERSION:

Emergency clause has been removed and effective date has been changed to July 1, 2020.

CURRENT BILL VERSION:

This bill would allow cities in counties, with populations under 400,000 that have imposed an excise tax under RCW 67.28.180 greater than or equal to four percent, to levy an excise tax.

BACKGROUND:

RCW 67.28.180 authorizes counties and cities to levy a special excise tax on lodging. Thirty-four of Washington's 39 counties have qualifying populations.

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 could potentially impact 185 cities and towns in 34 counties. To institute this tax cities and towns would need to pass an ordinance, Local Government Fiscal Notes Program unit cost data estimates the cost of proposing an ordinance to be \$4800. For illustrative purposes if half of these jurisdictions were to propose ordinances the cost to local governments would be \$446,400.

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 provides a local option which could increase city revenues for qualifying cities choosing to levy a tax under this bill. One hundred eighty-five cities and towns would meet the requirements to impose this tax, however, the number of cities and towns choosing to levy this tax and the degree of impact is not known.

SOURCES:

Municipal Research and Services Center

Association of Washington Cities

LGFN Unit Cost Data