

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1986 HB	<b>Title:</b> Electric bicycles/sales tax
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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	(219,000)	(219,000)	(129,000)	(129,000)	0	0
<b>Total \$</b>	<b>(219,000)</b>	<b>(219,000)</b>	<b>(129,000)</b>	<b>(129,000)</b>	<b>0</b>	<b>0</b>

## Estimated Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Joint Legislative Audit and Review Committee	.1	29,200	29,200	.2	55,000	55,000	.1	13,700	13,700
Department of Revenue	.5	130,000	130,000	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.6</b>	<b>159,200</b>	<b>159,200</b>	<b>0.2</b>	<b>55,000</b>	<b>55,000</b>	<b>0.1</b>	<b>13,700</b>	<b>13,700</b>

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
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

NONE

<b>Prepared by:</b> Kathy Cody, OFM	<b>Phone:</b> (360) 902-9822	<b>Date Published:</b> Preliminary 2/21/2019
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note  
FNPID: 56269

FNS029 Multi Agency rollup

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1986 HB	<b>Title:</b> Electric bicycles/sales tax	<b>Agency:</b> 014-Joint Legislative Audit and Review Committee
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## Part I: Estimates

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No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.1	0.1	0.1	0.2	0.1
<b>Account</b>					
General Fund-State 001-1	18,900	10,300	29,200	55,000	13,700
<b>Total \$</b>	18,900	10,300	29,200	55,000	13,700

*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.

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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: 02/13/2019
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 02/15/2019
Agency Approval: Keenan Konopaski	Phone: 360-786-5187	Date: 02/15/2019
OFM Review: Linda Hamilton	Phone: (360) 902-0556	Date: 02/15/2019

## 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.*

The bill creates a sales and use tax exemption for purchases of new electric bicycles and related cycling equipment.

#### TAX PERFORMANCE STATEMENT DETAILS

Section 2 of the bill includes a tax preference performance statement that categorizes the preference as one intended to provide tax relief to certain individuals, as indicated under RCW 82.32.808(2)(e).

The specific public policy objective is stated to encourage citizens to own and use electric bicycles by helping in the purchase of electric bicycles and related equipment.

If a review of the preference finds that the number of electric bicycles purchases in Washington increases 25 percent compared to the number of electric bicycles in calendar year 2018, then the Legislature intends to extend the expiration date of the preference.

#### SALES AND USE TAX EXEMPTION CREATED

Section 3 creates a new section in chapter 82.08 RCW providing a sales tax exemption beginning August 1, 2019, from purchases of new electric bicycles and up to \$200 in related cycling equipment.

The exemption has a contingent expiration date, expiring the earlier of:

- May 1, 2025; or
- The date the Department of Revenue determines that \$500,000 in total sales tax exemptions have been granted under the exemption.

The Department of Revenue must post a quarterly balance report on its website that includes an estimated expiration date for the exemption. If the remaining balance of exemptions available is less than \$10,000, the Department is to publish notification on its web site. The Department must also notify numerous parties when the exemption does expire.

Section 4 creates a new section in chapter 82.12 RCW providing a complimentary use tax exemption to the sales tax exemption created in section 3.

### 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.*

### 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.*

JLARC staff would contact and work with the Department of Revenue immediately after passage of the bill to ensure project contacts are established and any other necessary data for JLARC staff's future evaluation needs

are identified and collected. JLARC staff would also work to establish a baseline level of electric bicycles in 2018, which is the key measure as to whether or not the Legislature will extend the preference. A data source is not clearly stated for the 2018 baseline.

It is unclear when JLARC would review this preference. The JLARC review would depend on how much the preference is used and when the Citizen Commission for the Performance Measurement of Tax Preferences determines the review will occur. For purposes of this fiscal note, it is assumed the review will be conducted in 2022 and 2023, prior to May 1, 2025, final contingent expiration date.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2019 legislative session.

This audit will require an estimated 6 audit months.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2019-21 costs are calculated at approximately \$17,200 per audit month.

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
001-1	General Fund	State	18,900	10,300	29,200	55,000	13,700
<b>Total \$</b>			18,900	10,300	29,200	55,000	13,700

#### III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.1	0.1	0.1	0.2	0.1
A-Salaries and Wages	11,900	6,500	18,400	34,500	8,600
B-Employee Benefits	3,700	2,000	5,700	10,900	2,700
C-Professional Service Contracts					
E-Goods and Other Services	3,100	1,700	4,800	8,900	2,200
G-Travel	200	100	300	700	200
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	18,900	10,300	29,200	55,000	13,700

#### III. C - Operating FTE 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
Research Analyst	96,779	0.1	0.1	0.1	0.2	0.1
Support staff	65,838				0.1	
<b>Total FTEs</b>		0.1	0.1	0.1	0.2	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.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1986 HB	<b>Title:</b> Electric bicycles/sales tax	<b>Agency:</b> 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	(100,000)	(119,000)	(219,000)	(129,000)	
<b>Total \$</b>	(100,000)	(119,000)	(219,000)	(129,000)	

### Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.9		0.5		
<b>Account</b>					
GF-STATE-State 001-1	130,000		130,000		
<b>Total \$</b>	130,000		130,000		

### 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.

Legislative Contact: Rachelle Harris	Phone: 360-786-7137	Date: 02/13/2019
Agency Preparation: Marianne McIntosh	Phone: 360-534-1505	Date: 02/20/2019
Agency Approval: Kim Davis	Phone: 360-534-1508	Date: 02/20/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/21/2019

Request # 1986-1-1

## 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.*

Beginning August 1, 2019, this bill provides a retail sales and use tax exemption on purchases of new electric bicycles and up to \$200 in related cycling equipment. The exemption expires May 1, 2025 or when the total retail sales tax exemptions taken reach \$500,000. Department of Revenue (Department) must post a quarterly balance report on its website of the remaining balance of the exemption as well as the estimated expiration date.

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

- Fiscal Year 2020 reflects 10 months of impact due to the August 1, 2019, effective date.
- Due to the recently enacted 25% tariffs on bicycles and electric bicycles, assume zero growth rate.
- 5% of bicycle sales data are sales of parts and accessories.
- The exemption cap is \$500,000, which includes retail and local sales tax.
- The cap will be reached by June 30, 2022, which results in one month impact in Fiscal Year 2023.

#### DATA SOURCES

- National Bicycle Dealers Association
- Census.gov

#### REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$100,000 in the 10 months of impacted collections in Fiscal Year 2020, and by \$119,000 in Fiscal Year 2021, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$43,000 in the 10 months of impacted collections in Fiscal Year 2020, and by \$52,000 in Fiscal Year 2021, the first full year of impacted collections.

#### TOTAL REVENUE IMPACT:

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

FY 2020 -	(\$ 100)
FY 2021 -	(\$ 119)
FY 2022 -	(\$ 119)
FY 2023 -	(\$ 10)
FY 2024 -	\$ 0
FY 2025 -	\$ 0

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

FY 2020 -	(\$ 43)
FY 2021 -	(\$ 52)
FY 2022 -	(\$ 52)
FY 2023 -	(\$ 5)
FY 2024 -	\$ 0
FY 2025 -	\$ 0

## 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 legislation affects 500 taxpayers.

### FIRST YEAR COSTS:

The Department will incur total costs of \$130,000 in Fiscal Year 2021. These costs include:

Labor Costs – Time and effort equates to 0.9 FTEs.

- Respond to taxpayer inquiries, and ruling requests.
- Create special notices.
- Implement changes to the information system
- Provide programming, training and system testing.

Object Costs - \$44,000

- Implement programming changes to create a deduction with a cap amount.

### 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	0.9		0.5		
A-Salaries and Wages	53,400		53,400		
B-Employee Benefits	16,100		16,100		
C-Professional Service Contracts	44,000		44,000		
E-Goods and Other Services	10,500		10,500		
J-Capital Outlays	6,000		6,000		
<b>Total \$</b>	<b>\$130,000</b>		<b>\$130,000</b>		

**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		
FORMS AND RECORDS	54,924	0.1		0.1		
ANALYST SUPV						
IT SPEC 4	70,320	0.1		0.1		
MGMT ANALYST4	63,684	0.3		0.2		
TAX INFO SPEC 1	40,908	0.1		0.1		
TAX INFO SPEC 4	60,636	0.2		0.1		
<b>Total FTEs</b>		<b>0.9</b>		<b>0.5</b>		

## 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.