

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1972 HB	<b>Title:</b> Disabled veteran assist./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	(33,000)	(33,000)	(36,000)	(36,000)	(36,000)	(36,000)
<b>Total \$</b>	<b>(33,000)</b>	<b>(33,000)</b>	<b>(36,000)</b>	<b>(36,000)</b>	<b>(36,000)</b>	<b>(36,000)</b>

Local Gov. Courts *						
Loc School dist-SPI						
Local Gov. Other **		(16,830)		(17,820)		(17,820)
Local Gov. Total		(16,830)		(17,820)		(17,820)

## 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	19,000	19,000	.0	7,000	7,000	.0	7,000	7,000
Department of Revenue	.0	17,600	17,600	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.1</b>	<b>36,600</b>	<b>36,600</b>	<b>0.0</b>	<b>7,000</b>	<b>7,000</b>	<b>0.0</b>	<b>7,000</b>	<b>7,000</b>

## 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> Final 2/21/2019
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\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

FNPID: 56295

FNS029 Multi Agency rollup

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1972 HB	<b>Title:</b> Disabled veteran assist./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	0.0	0.1	0.0	0.0
<b>Account</b>					
General Fund-State 001-1	15,500	3,500	19,000	7,000	7,000
<b>Total \$</b>	15,500	3,500	19,000	7,000	7,000

*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: 02/08/2019
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 02/19/2019
Agency Approval: Keenan Konopaski	Phone: 360-786-5187	Date: 02/19/2019
OFM Review: Linda Hamilton	Phone: (360) 902-0556	Date: 02/19/2019

## 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 provides a B&O tax and sales and use tax exemption for retail sales that further operations of adaptive recreational and rehabilitation facilities dedicated to helping disabled veterans and armed service members.

#### TAX PERFORMANCE STATEMENT DETAILS

Section 1 of the bill includes a tax preference performance statement that categorizes the preference as one intended to provide tax relief to certain businesses, as indicated under RCW 82.32.808(2)(e).

The specific public policy objective is stated to reduce the tax burden on individuals and businesses imposed by existing B&O tax rates.

If a review of the preference finds there is an increase in use of adaptive recreational and rehabilitative facilities by disabled veterans and armed forces members, then the Legislature intends to extend the expiration date of the preference.

#### TAX EXEMPTIONS CREATED

Section 2 adds a new section in chapter 82.04 RCW providing an exemption from B&O tax for income received from sales made on a federal reservation by a nonprofit corporation that further operations of adaptive recreational and rehabilitation facilities dedicated to helping disabled veterans and armed service members.

Section 3 adds a new section in chapter 82.08 RCW providing an exemption from sales and use tax for the same sales of goods.

The bill does not note an effective or expiration date. Because the preference is not exempted from RCW 82.32.805, JLARC staff assumes the preference would receive an automatic 10-year expiration date as provided in RCW 82.32.805(1)(a).

### 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 identify and contact any nonprofit corporations whose sales would qualify for these exemptions to coordinate information or data collection needed for a future review.

The expenditure detail noted reflects work conducted to prepare for the future review, which would likely occur in 2027 and 2028. Costs associated with the review are not included in this fiscal note. This fiscal note reflects only the costs associated with establishing data collection.

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 2 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	15,500	3,500	19,000	7,000	7,000
Total \$			15,500	3,500	19,000	7,000	7,000

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

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	9,700	2,200	11,900	4,400	4,400
B-Employee Benefits	3,100	700	3,800	1,400	1,400
C-Professional Service Contracts					
E-Goods and Other Services	2,500	600	3,100	1,200	1,200
G-Travel	200		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-					
Total \$	15,500	3,500	19,000	7,000	7,000

#### 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		
Support staff	65,838					
Total FTEs		0.1		0.1		0.0

### 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> 1972 HB	<b>Title:</b> Disabled veteran assist./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	(15,000)	(18,000)	(33,000)	(36,000)	(36,000)
<b>Total \$</b>	(15,000)	(18,000)	(33,000)	(36,000)	(36,000)

### Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
<b>Account</b>					
GF-STATE-State 001-1	17,600		17,600		
<b>Total \$</b>	17,600		17,600		

### 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: 02/08/2019
Agency Preparation: Marianne McIntosh	Phone: 360-534-1505	Date: 02/15/2019
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/15/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/18/2019

Request # 1972-1-1

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 bill creates new retail sales and B&O tax exemptions for sales made on a federal military reservation by a nonprofit organization operating an adaptive recreational and rehabilitation facility dedicated to the assistance of disabled veterans and member of the armed forces of the United States of America.

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

- Per public testimony on SHB 2550 in the 2018 session, the American Lakes Veterans Golf Course would benefit from these exemptions. During the testimony, the manager stated they have about \$274,000 sales per year that would be exempt. Utilized the annual sales amount for each fiscal year.
- The Department of Revenue (Department) is not aware of any other entity that would qualify for the exemptions.
- Effective date of August 1, 2019, which results in 10 months of cash collections for Fiscal Year 2020.

DATA SOURCES

- House Bill Report HB 2550 2018 Session

REVENUE ESTIMATES This bill decreases state revenues by an estimated \$15,000 in the 10 months of impacted collections in Fiscal Year 2020, and by \$18,000 in Fiscal Year 2020, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$8,000 in the 10 months of impacted collections in Fiscal Year 2020, and by \$9,000 in Fiscal Year 2021, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

- FY 2020 - (\$ 15)
- FY 2021 - (\$ 18)
- FY 2022 - (\$ 18)
- FY 2023 - (\$ 18)
- FY 2024 - (\$ 18)
- FY 2025 - (\$ 18)

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

- FY 2020 - (\$ 8)
- FY 2021 - (\$ 9)
- FY 2022 - (\$ 9)
- FY 2023 - (\$ 9)
- FY 2024 - (\$ 9)
- FY 2025 - (\$ 9)

## 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 less than 5 taxpayers.

### FIRST YEAR COSTS:

The Department will incur total costs of \$17,600 in Fiscal Year 2020. These costs include:

- Object Costs - \$17,600.
- Contracted programming services.

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					
C-Professional Service Contracts	17,600		17,600		
<b>Total \$</b>	<b>\$17,600</b>		<b>\$17,600</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.



# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

**Bill Number:** 1972 HB

**Title:** Disabled veteran assist./tax

## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- ☒ Cities: Minor revenue decrease
- ☒ Counties: Same as above
- ☒ Special Districts: Same as above
- ☒ Specific jurisdictions only: Pierce County, City of Lakewood, special districts within Pierce County
- ☐ 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	(2,593)	(2,917)	(5,510)	(5,834)	(5,834)
County	(2,695)	(3,032)	(5,727)	(6,064)	(6,064)
Special District	(2,632)	(2,961)	(5,593)	(5,922)	(5,922)
<b>TOTAL \$</b>	(7,920)	(8,910)	(16,830)	(17,820)	(17,820)
<b>GRAND TOTAL \$</b>	(52,470)				

### Estimated expenditure impacts to:

None

## Part III: Preparation and Approval

Fiscal Note Analyst: Renee Martine-Tebow	Phone: 360-725-5045	Date: 02/20/2019
Leg. Committee Contact: Rachelle Harris	Phone: 360-786-7137	Date: 02/08/2019
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/20/2019
OFM Review: Kathy Cody	Phone: (360) 902-9822	Date: 02/21/2019

## 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 create new retail sales and B&O tax exemptions for sales made on a federal military reservation by a nonprofit organization operating an adaptive recreational and rehabilitation facility dedicated to the assistance of disabled veterans and member of the armed forces of the United States of America.

### 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 not impact 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 revenues by an estimated \$8,000 in the 10 months of impacted collections in Fiscal Year 2020, and by \$9,000 in Fiscal Year 2021, the first full year of impacted collections.

#### ASSUMPTIONS

- Per public testimony on SHB 2550 in the 2018 session, the American Lakes Veterans Golf Course would benefit from these exemptions. During the testimony, the manager stated they have about \$274,000 sales per year that would be exempt. Utilized the annual sales amount for each fiscal year.
- The Department of Revenue is not aware of any other entity that would qualify for the exemptions.
- The golf course is in the City of Lakewood. Therefore, the City of Lakewood, Pierce County, and special districts within the county would be affected.
- Effective date of August 1, 2019, which results in 10 months of cash collections for Fiscal Year 2020.

#### TOTAL REVENUE IMPACT:

FY 2020 -	(\$ 7,920)
FY 2021 -	(\$ 8,910)
FY 2022 -	(\$ 8,910)
FY 2023 -	(\$ 8,910)
FY 2024 -	(\$ 8,910)
FY 2025 -	(\$ 8,910)

#### METHODOLOGY:

The distributions in this note for cities, counties, and special districts are based on Department of Revenue (DOR) data for local sales and use tax distributions from calendar year 2015 (the most current year available). Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. School districts are also not included in the special districts distribution. This results in a distribution of 34.03 percent to counties, 32.74 percent to cities, and 33.23 percent to special districts. The one percent DOR administrative fee has also been accounted for.

#### SOURCES:

American Lakes Veterans Golf Course testimony  
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 "Sales and Use Tax Distribution" model (2019)