

Multiple Agency Fiscal Note Summary

Bill Number: 6631 SB	Title: Housing/sales & use tax
-----------------------------	---------------------------------------

Estimated Cash Receipts

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(500,000)	(500,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
Total \$	(500,000)	(500,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)

Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Fiscal note not available					
Local Gov. Total						

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	.1	28,400	28,400	.1	20,200	20,200	.1	20,200	20,200
Total \$	0.1	28,400	28,400	0.1	20,200	20,200	0.1	20,200	20,200

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

Prepared by: Ramona Nabors, OFM	Phone: (360) 902-0547	Date Published: Preliminary 2/ 3/2020
----------------------------------------	---------------------------------	-------------------------------------------------

Department of Revenue Fiscal Note

Bill Number: 6631 SB	Title: Housing/sales & use tax	Agency: 140-Department of Revenue
-----------------------------	---------------------------------------	------------------------------------------

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		(500,000)	(500,000)	(2,000,000)	(2,000,000)
Total \$		(500,000)	(500,000)	(2,000,000)	(2,000,000)

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		0.1	0.1	0.1	0.1
Account					
GF-STATE-State 001-1	17,600	10,800	28,400	20,200	20,200
Total \$	17,600	10,800	28,400	20,200	20,200

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: Jeff Olsen	Phone: 360-786-7428	Date: 01/30/2020
Agency Preparation: Diana Tibbetts	Phone: 360-534-1520	Date: 01/31/2020
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 01/31/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/03/2020

Request # 6631-1-1

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.

The 2019 Legislature passed Substitute House Bill 1406. The bill is codified as RCW 82.14.540. This statute allows local jurisdictions (cities and counties) to impose a local state-shared sales and use tax to fund affordable or supportive housing. This tax is credited against the 6.5 percent state sales tax so the sales tax rate remains the same for consumers. The tax rate is either 0.0073 percent or 0.0146 percent depending on certain factors such as the implementation of qualifying local tax (QLT) for cities.

To impose the tax, the local jurisdiction must adopt both of the following:

- a resolution of intent to adopt legislation by January 28, 2020
- legislation to authorize the tax by July 28, 2020

Local jurisdictions could impose this tax as early as September 1, 2019. The tax expires twenty years from the date it is imposed. The maximum tax distribution (or cap amount) a city or county will receive equals the taxable retail sales within the city or county in Fiscal Year 2019 multiplied by the authorized tax rate. This calculation is done once. Distributions are stopped when maximum calculated amount is reached.

This legislation makes several amendments to the statute including:

- allows cities to adopt a resolution of intent to impose a QLT by July 28, 2020.
- allows cities that do not levy a QLT to impose the tax even if their county does not impose the tax. Currently, cities are not able to impose the tax beyond the second year.
- extends the deadline for a city or county to adopt legislation to authorize the tax to December 1, 2020.
- requires cities and counties to provide the Department of Revenue (Department) copies of the adopted resolution and legislation to impose the tax by December 1, 2020. Currently cities and counties only notify the Department when they are ready to impose the tax.
- requires the Department to calculate preliminary cap amounts by December 31, 2019 or within 30 days of a county or city authorizing the tax.
- requires the Department to calculate final cap amounts between December 1, 2020 and December 31, 2020.

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

- It is unknown what cities will adopt a resolution to implement a QLT before the extended deadline.
- New final cap amount estimates are based on the counties that have imposed the affordable housing tax as of January 30, 2020.
- Thurston, King and Clark counties will lose revenue with the proposed new cap amounts.

DATA SOURCES

Department of Revenue local tax data

REVENUE ESTIMATES

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2020 - \$
FY 2021 - (\$ 500)
FY 2022 - (\$ 1,000)
FY 2023 - (\$ 1,000)
FY 2024 - (\$ 1,000)
FY 2025 - (\$ 1,000)

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

FY 2020 - \$
FY 2021 - \$ 500
FY 2022 - \$ 1,000
FY 2023 - \$ 1,000
FY 2024 - \$ 1,000
FY 2025 - \$ 1,000

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

Expenditures assume additional cities will implement a QLT.

FIRST YEAR COSTS:

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

Object Costs - \$17,600.

- Contract computer system programming to update funding codes for additional cities and rates.

SECOND YEAR COSTS:

The Department will incur total costs of \$10,100 in Fiscal Year 2021. These costs include:

Labor Costs - Time and effort equates to 0.1 FTE.

- Test and verify computer system changes.
- Calculate rate caps.
- Work with jurisdiction, respond to inquiries via email, web message, and paper correspondence.

ONGOING COSTS:

Ongoing costs for the 2021-2023 Biennium equal \$20,200 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		0.1	0.1	0.1	0.1
A-Salaries and Wages		6,900	6,900	13,800	13,800
B-Employee Benefits		2,100	2,100	4,200	4,200
C-Professional Service Contracts	17,600		17,600		
E-Goods and Other Services		1,100	1,100	1,800	1,800
J-Capital Outlays		700	700	400	400
Total \$	\$17,600	\$10,800	\$28,400	\$20,200	\$20,200

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
MGMT ANALYST4	68,892		0.1	0.1	0.1	0.1
Total FTEs			0.1	0.1	0.1	0.1

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

NONE

None.

Part V: New Rule Making Required