

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2797 HB	<b>Title:</b> Housing/sales & use 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	(500,000)	(500,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
<b>Total \$</b>	<b>(500,000)</b>	<b>(500,000)</b>	<b>(2,000,000)</b>	<b>(2,000,000)</b>	<b>(2,000,000)</b>	<b>(2,000,000)</b>

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
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 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
<b>Total \$</b>	<b>0.1</b>	<b>28,400</b>	<b>28,400</b>	<b>0.1</b>	<b>20,200</b>	<b>20,200</b>	<b>0.1</b>	<b>20,200</b>	<b>20,200</b>

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
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
<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> Ramona Nabors, OFM	<b>Phone:</b> (360) 902-0547	<b>Date Published:</b> Final 2/ 7/2020
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2797 HB	<b>Title:</b> Housing/sales & use 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		(500,000)	(500,000)	(2,000,000)	(2,000,000)
<b>Total \$</b>		(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
<b>Account</b>					
GF-STATE-State 001-1	17,600	10,800	28,400	20,200	20,200
<b>Total \$</b>	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: Nick Tucker	Phone: 360-786-7383	Date: 01/28/2020
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: 02/07/2020

Request # 2797-1-1



## 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
<b>Total \$</b>	<b>\$17,600</b>	<b>\$10,800</b>	<b>\$28,400</b>	<b>\$20,200</b>	<b>\$20,200</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
MGMT ANALYST4	68,892		0.1	0.1	0.1	0.1
<b>Total FTEs</b>			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



# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 2797 HB	<b>Title:</b> Housing/sales & use tax
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## Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

### Legislation Impacts:

- ☒ Cities: Revenue increase from imposing additional sales tax
- ☒ Counties: Revenue increase from imposing additional sales tax
- ☐ Special Districts:
- ☐ Specific jurisdictions only:
- ☐ Variance occurs due to:

## Part II: Estimates

- ☐ No fiscal impacts.
- ☒ Expenditures represent one-time costs: Costs associated with adopting an ordinance
- ☒ Legislation provides local option: Cities and counties could impose additional taxes authorized by this legislation with appropriate approval.
- ☒ Key variables cannot be estimated with certainty at this time: It is unknown how many cities or counties would implement additional taxes allowed under this legislation or at what rate.

### Estimated revenue impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

### Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

## Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Vellinga	Phone: 360-725-5038	Date: 02/03/2020
Leg. Committee Contact: Nick Tucker	Phone: 360-786-7383	Date: 01/28/2020
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/03/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/07/2020



## 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 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.

### BACKGROUND

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:

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### 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 legislation would have an indeterminate expenditure impact on local governments.

For those jurisdictions seeking to impose the additional tax, there would be costs associated with adopting the resolution as required in the bill. The costs are indeterminate because:

- It is unknown which cities or counties will adopt a resolution to levy the additional tax before the deadline
- The complexity of adopting a resolution varies

The typical cost to adopt an ordinance per jurisdiction ranges from \$586 for a simple ordinance to \$5,797 for a complex ordinance. These costs include costs for draft ordinances, advisory commission meeting and recommendation, finalized ordinance, publication of ordinance, and general public information.

Note: These cost estimates are for only one meeting or staff report, more complex ordinances would likely require more meetings and potentially more staff reports. There would be further costs associated with enforcing or executing the ordinance.

### 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 legislation would have an indeterminate revenue impact on local governments.

For those jurisdictions seeking to impose the additional tax, the local revenue would increase. The amount is indeterminate because:

- It is unknown which cities or counties will adopt a resolution to levy the additional tax before the deadline



-- The levy rate varies

According to the Department of Revenue, the changes in revenue vary for those jurisdictions that have implemented the tax :

Counties	Difference
Asotin County	\$21,138
Chelan County	\$122,691
Clallam County	\$5,622
Clark County	-\$231,193
Columbia County	\$2,677
Cowlitz County	\$117,428
Douglas County	\$35,795
Grant County	\$146,740
Grays Harbor County	\$69,751
Island County	\$38,535
Jefferson County	\$20,596
King County	-\$947,907
Kitsap County	\$77,236
Mason County	no change
Pacific County	\$4,669
Pend Oreille County	\$5,159
Pierce County	\$201,485
San Juan County	no change
Skagit County	\$199,990
Snohomish County	\$769,718
Spokane County	\$273,611
Thurston County	-\$143,512
Walla Walla County	\$61,553
Whatcom County	no change
Whitman County	\$51,196
Yakima County	\$109,863

#### 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 .

#### Sources:

Department of Revenue fiscal note  
Department of Revenue local tax data  
Department of Revenue Local Tax Distributions (2018)  
Local Government Fiscal Note program, Sales and Use Tax Distribution model 2020  
Washington State Association of Counties