

Department of Revenue Fiscal Note

Bill Number: 2894 HB	Title: Concrete pumping services	Agency: 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		(9,437,000)	(9,437,000)	(18,667,000)	(18,530,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax		19,000	19,000	37,000	37,000
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		(15,000)	(15,000)	(30,000)	(30,000)
Total \$		(9,433,000)	(9,433,000)	(18,660,000)	(18,523,000)

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		0.2	0.1		
Account					
GF-STATE-State 001-1		26,400	26,400		
Total \$		26,400	26,400		

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.

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Agency Preparation: Marianne McIntosh	Phone: 360-534-1505	Date: 02/10/2020
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/10/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/13/2020

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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.

Note: This fiscal note reflects language in HB 2894, 2020 Legislative Session.

CURRENT LAW:

Concrete pumpers providing a concrete pump and operator to pump concrete are subject to retailing B&O and retail sales tax. A transaction that includes concrete pumping activity mixed with other activities is taxed based on the primary purpose of the transaction.

PROPOSAL:

This proposal adds a new section to chapter 82.02 RCW defining "concrete pumping services," and clarifies that when the terms "constructing, building, repairing, decorating, or improving" are utilized in the context of services provided in respect to real property, those terms are deemed to include concrete pumping services.

The result of this proposal is that the taxation of concrete pumping services is based on whether the service is provided to the end-user, to another contractor, or for public road construction. Concrete pumping services provided to the end-user continue to be subject to retailing B&O and retail sales tax. Concrete pumping services provided to another contractor in which a reseller permit is provided would be subject to wholesaling B&O tax. Concrete pumping services provided for public road construction are subject to public road construction B&O tax.

EFFECTIVE 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

- Revenues, as estimated, assume passage of the proposal by March 12, 2020, allowing a full 90 days to implement.
- Effective date of June 10, 2020, results in 12 months of cash collections for Fiscal Year 2021.
- Utilized Washington employment forecast for construction to adjusted national concrete pump market growth rate.

DATA SOURCES

- Department of Revenue excise tax returns.
- Economic Revenue Forecast Council November 2019 Employment Forecast
- American Concrete Pumping Association
- PRNewswire.com "Truck Mounted Concrete Pump Market Estimated to Reach US\$ 4.64 Bn by 2025"

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$9.4 million in the 12 months of impacted collections in Fiscal Year 2021, and by \$9.3 million in Fiscal Year 2022. This bill also decreases local revenues by an estimated \$4.2 million in the 12 months of impacted collections in Fiscal Year 2021, and by \$4.1 million in Fiscal Year 2022.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2020 - \$ 0

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FY 2021 - (\$ 9,433)
FY 2022 - (\$ 9,347)
FY 2023 - (\$ 9,313)
FY 2024 - (\$ 9,279)
FY 2025 - (\$ 9,244)

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

FY 2020 - \$ 0
FY 2021 - (\$ 4,152)
FY 2022 - (\$ 4,113)
FY 2023 - (\$ 4,099)
FY 2024 - (\$ 4,084)
FY 2025 - (\$ 4,069)

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 will affect 55 taxpayers.

FIRST YEAR COSTS:

The Department will not incur any costs in Fiscal Year 2020.

SECOND YEAR COSTS:

The Department will incur total costs of \$26,400 in Fiscal Year 2021. These costs include:

- Labor Costs - Time and effort equates to 0.24 FTE.
- Amend two administrative rules.

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		0.2	0.1		
A-Salaries and Wages		17,400	17,400		
B-Employee Benefits		5,200	5,200		
E-Goods and Other Services		2,400	2,400		
J-Capital Outlays		1,400	1,400		
Total \$		\$26,400	\$26,400		

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
EMS BAND 4	119,061		0.0	0.0		
EMS BAND 5	139,090		0.0	0.0		
MGMT ANALYST3	59,436		0.0	0.0		
TAX POLICY SP 2	70,632		0.0	0.0		
TAX POLICY SP 3	79,944		0.1	0.1		
TAX POLICY SP 4	86,064		0.0	0.0		
WMS BAND 3	101,257		0.0	0.0		
Total FTEs			0.2	0.1		

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

NONE

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.

Should this legislation become law, the Department will use the standard rule-making process to amend WAC 458-20-170, titled: “Constructing and repairing of new or existing buildings or other structures upon real property” and WAC 458-20-211, titled: “Leases or rentals of tangible personal property, bailments”. Persons affected by this rule making would include concrete pumping service providers and their customers.