

Multiple Agency Fiscal Note Summary

Bill Number: 5200 SB	Title: Scholarships/tax credit
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Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(750,000)	(750,000)	(750,000)	(2,100,000)	(2,100,000)	(2,100,000)	(3,290,000)	(3,290,000)	(3,290,000)
Total \$	(750,000)	(750,000)	(750,000)	(2,100,000)	(2,100,000)	(2,100,000)	(3,290,000)	(3,290,000)	(3,290,000)

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Office of State Auditor	Fiscal note not available											
Department of Revenue	1.3	415,600	415,600	415,600	.8	159,800	159,800	159,800	.8	159,800	159,800	159,800
Superintendent of Public Instruction	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	1.3	415,600	415,600	415,600	0.8	159,800	159,800	159,800	0.8	159,800	159,800	159,800

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of State Auditor	Fiscal note not available								
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Superintendent of Public Instruction	.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 1/28/2021
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Department of Revenue Fiscal Note

Bill Number: 5200 SB	Title: Scholarships/tax credit	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2022	FY 2023	2021-23	2023-25	2025-27
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax		(580,000)	(580,000)	(1,620,000)	(2,540,000)
GF-STATE-State 01 - Taxes 35 - Public Utilities Tax		(170,000)	(170,000)	(480,000)	(750,000)
Total \$		(750,000)	(750,000)	(2,100,000)	(3,290,000)

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	1.8	0.8	1.3	0.8	0.8
Account					
GF-STATE-State 001-1	335,700	79,900	415,600	159,800	159,800
Total \$	335,700	79,900	415,600	159,800	159,800

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: Alex Fairfortune	Phone: 360-786-7416	Date: 01/19/2021
Agency Preparation: Marianne McIntosh	Phone: 360-534-1505	Date: 01/27/2021
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 01/27/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 01/28/2021

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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 SB 5200, 2021 Legislative Session.

This fiscal note only addresses those sections of the bill that impact the Department of Revenue (Department).

CURRENT LAW

There is no credit for contributions to qualifying student scholarship organizations under Chapters 82.04, 82.16, and 83.100 RCW.

PROPOSED LAW

This bill creates a new tax credit to be utilized against business and occupation (B&O), public utilities (PU) and estate taxes. The credit is equal to the amount contributed to a qualifying student scholarship organization. The contribution must be made to the organization prior to claiming the credit. The credit must be claimed against taxes due in the same calendar year in which the contribution was made. The amount of the credit claimed cannot exceed the tax due. No refunds may be granted for any unused credits. If the credit is not utilized within the calendar year, the credit may be carried over for three calendar years. No application is necessary for this credit and the credits are available on a first-in-time basis.

The total credit allowed under B&O, PU and Estate tax is limited to \$750,000 for Fiscal Year 2022. The total credit allowed for the following fiscal year is equal to the previous fiscal year unless the amount of credits claimed equals 90 percent or more of the maximum allowable amount. If this occurs, then the total credit allowed is increased by 25 percent. The Department must post increases to the total credit amount on their website.

The Department must disallow any credits that would cause the total amount of credits claimed to exceed the maximum allowed per fiscal year. The Department must notify all student scholarship organizations when the annual statewide limit has been met and notify persons who claimed the tax credits in excess of the limit.

The credits are exempt from the tax performance provisions in RCW 82.32.805 and 82.32.808.

"Student scholarship organization" means a charitable organization in Washington State that:

- Is a 501(c)(3); and
- Allocates not less than 90 percent of its annual revenue for educational scholarships to allow eligible students to receive instruction by any qualified education provider.

"Eligible student" means a person eligible to attend kindergarten through grade 12 in Washington state and who is:

- Eligible to receive special education services; or
- A child in foster care or child who is a candidate for foster care.

"Qualified education provider" means an approved private school under chapter 28A.195 RCW or a private tutoring service.

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

- The Department is not aware of a student scholarship organization that would qualify for this program at this time.
- To qualify, a student scholarship organization needs to be a 501(c)(3), which takes 2-12 months to be approved by the IRS.
- Once approved by the Internal Revenue Service (IRS), the organization needs to be approved by the State Auditor's Office (SAO) prior to accepting donations.
- Based on the length of time for the organization to be created and receive IRS and SAO approval, the earliest a business could donate to an approved organization would be Fiscal Year 2023.
- Should an organization become approved for donations earlier than Fiscal Year 2023 and business begin making contributions and claiming the credit, there would be a negative impact in Fiscal Year 2022.
- Credit will be increased by 25 percent each year.
- The maximum total credit will be met each year starting in Fiscal Year 2023.
- 77 percent of the credit will be claimed against B&O and 23 percent against PU tax.
- Although the credit is available to claim against Estate tax, the credit will likely not be utilized. This is due to the timing when estate tax is due and the likelihood the cap limit will be met at the time the credit would be taken.

DATA SOURCES

Department of Revenue, excise tax returns

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$750,000 in Fiscal Year 2023, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2022 -	\$ 0
FY 2023 -	(\$ 750)
FY 2024 -	(\$ 930)
FY 2025 -	(\$ 1,170)
FY 2026 -	(\$ 1,460)
FY 2027 -	(\$ 1,830)

Local Government, if applicable (cash basis, \$000): None

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 approximately 50 taxpayers.

FIRST YEAR COSTS:

The Department will incur total costs of \$335,700 in Fiscal Year 2022. These costs include:

Labor Costs – Time and effort equates to 1.8 FTEs.

- Test system changes for two new credits.

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- Create a new worksheet for the credit, updated data tables, reports, working papers, and issuance codes as necessary
- Review and issue refunds to qualifying estate beneficiaries.
- Update information on the Department website.

Object Costs - \$132,000.

- Contracted system programming.

SECOND YEAR COSTS:

The Department will incur total costs of \$79,900 in Fiscal Year 2023. These costs include:

Labor Costs – Time and effort equates to 0.8 FTEs.

- Review and issue refunds to qualifying estate beneficiaries.
- Maintain system changes.
- Adjusting program threshold and publishing the results.

ONGOING COSTS:

Ongoing costs for the 2023-2025 Biennium equal \$159,800 and include similar activities described in the second year costs. Time and effort equates to 0.8 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	1.8	0.8	1.3	0.8	0.8
A-Salaries and Wages	121,700	50,000	171,700	100,000	100,000
B-Employee Benefits	43,800	18,000	61,800	36,000	36,000
C-Professional Service Contracts	132,000		132,000		
E-Goods and Other Services	23,000	9,100	32,100	18,200	18,200
G-Travel	1,800	1,800	3,600	3,600	3,600
J-Capital Outlays	13,400	1,000	14,400	2,000	2,000
Total \$	\$335,700	\$79,900	\$415,600	\$159,800	\$159,800

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 2022	FY 2023	2021-23	2023-25	2025-27
EXCISE TAX EX 3	59,688	0.6	0.6	0.6	0.6	0.6
IT QA-JOURNEY	85,644	0.1		0.1		
MGMT ANALYST4	70,956	1.0	0.2	0.6	0.2	0.2
TAX INFO SPEC 4	64,332	0.1		0.1		
Total FTEs		1.8	0.8	1.3	0.8	0.8

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

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IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

None.

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5200 SB	Title: Scholarships/tax credit	Agency: 350-Superintendent of Public Instruction
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

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.
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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact: Alex Fairfortune	Phone: 360-786-7416	Date: 01/19/2021
Agency Preparation: Mike Woods	Phone: 360 725-6283	Date: 01/28/2021
Agency Approval: Mike Woods	Phone: 360 725-6283	Date: 01/28/2021
OFM Review: Val Terre	Phone: (360) 280-3973	Date: 01/28/2021

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 tax credits for contributions to student scholarship organizations.

A student scholarship organization is a charitable organization in Washington that is exempt from federal income taxation under section 501(c)(3) of the federal internal revenue code of 1986; and allocates not less than 90 percent of its annual revenue for scholarships to allow eligible students to receive instruction by any qualified education provider.

A qualified education provider means an approved private school under Chapter 28A.195 RCW (Private Schools).

The bill does not result in additional duties for OSPI. Therefore no fiscal impact.

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.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required