

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1450 HB	<b>Title:</b> Procurement of Computers/Wireless Device Tax
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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	0	0	31,400,000	0	0	39,900,000	0	0	41,900,000
<b>Total \$</b>	<b>0</b>	<b>0</b>	<b>31,400,000</b>	<b>0</b>	<b>0</b>	<b>39,900,000</b>	<b>0</b>	<b>0</b>	<b>41,900,000</b>

Agency Name	2021-23		2023-25		2025-27	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI	Fiscal note not available					
Local Gov. Other						
Local Gov. Total						

## 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
Department of Revenue	1.6	390,300	390,300	390,300	.8	161,600	161,600	161,600	.8	153,100	153,100	153,100
Superintendent of Public Instruction	Fiscal note not available											
<b>Total \$</b>	<b>1.6</b>	<b>390,300</b>	<b>390,300</b>	<b>390,300</b>	<b>0.8</b>	<b>161,600</b>	<b>161,600</b>	<b>161,600</b>	<b>0.8</b>	<b>153,100</b>	<b>153,100</b>	<b>153,100</b>

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	Fiscal note not available								
Local Gov. Other									
Local Gov. Total									

## Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Superintendent of Public Instruction	Fiscal note not available								
<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>

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI	Fiscal note not available								
Local Gov. Other									
Local Gov. Total									

**Estimated Capital Budget Breakout**

NONE

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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1450 HB	<b>Title:</b> Procurement of Computers/Wireless Device Tax	<b>Agency:</b> 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
NEW-State 00 - 00 -	12,400,000	19,000,000	31,400,000	39,900,000	41,900,000
<b>Total \$</b>	12,400,000	19,000,000	31,400,000	39,900,000	41,900,000

### Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	2.4	0.8	1.6	0.8	0.8
<b>Account</b>					
GF-STATE-State 001-1	309,500	80,800	390,300	161,600	153,100
<b>Total \$</b>	309,500	80,800	390,300	161,600	153,100

### 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: Megan Wargacki	Phone: 360-786-7194	Date: 01/29/2021
Agency Preparation: Beth Leech	Phone: 360-534-1513	Date: 02/01/2021
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/01/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/01/2021

Request # 1450-1-1

## 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.*

#### CURRENT LAW:

Under current law smart wireless devices are subject to sales tax but not any additional fees.

#### PROPOSED LAW:

This bill creates the learning device and technology account. Moneys from this account are to be used by the Office of the Superintendent of Public Instruction to provide grants to school districts to fund the purchase of student learning devices.

This legislation also creates a tax on the selling price of smart wireless devices as follows:

- \$2 fee for devices with a selling price of at least \$250 but less than \$1,000; and
- \$5 fee for devices with a selling price of \$1,000 or more.

When a smart wireless device is sold to a buyer together with other products or services for one nonitemized price, the retail selling price of the same product or similar products of like quality and character is the selling price. When a smart wireless device is sold in installments, the total aggregate consideration to be paid by the buyer to the seller is the selling price.

The revenue collected from this new tax must be deposited in the learning device and technology account.

Smart wireless devices include, but are not limited to:

- Smartphones
- Laptop computers
- Tablets
- Wearable devices (watches, wristbands, headphones)
- Smart speakers (virtual assistants)
- Gaming consoles
- Smart gyms
- Smart televisions

This tax on smart wireless devices must be paid by the buyer to the seller. This tax is held in trust by the seller until paid to the Department of Revenue (Department). Any seller who appropriates or converts the tax collected to their own use or to any use other than the one described in this legislation is guilty of a gross misdemeanor. If a seller fails to collect the tax or, having collected the tax, fails to pay it to the Department is personally liable to the state for the amount of the tax.

This tax must be stated separately from the selling price in any sales invoice or other instrument of sale.

Chapter 82.32 RCW applies to the administration of this tax.

This bill takes effect on October 1, 2021.

### 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

- Washington State represents 2.32% of the total population of the United States.
- The new tax is imposed as of October 1, 2021, resulting in eight months of impact in Fiscal Year 2022.

- Revenues as estimated assume passage of the proposal by April 25, 2021, allowing a full six months to implement.

For purposes of this estimate, we are assuming "smart wireless devices" include:

- Smartphones
- Laptop computers
- Tablets
- Wearable devices (watches, wristbands, headphones)
- Smart speakers (virtual assistants)
- Gaming consoles
- Smart gyms
- Smart televisions

#### DATA SOURCES

- U.S. Census Bureau
- statista
- canalys
- ccsinsight
- idc
- marketingcharts
- techcrunch
- fortunebusinessinsights
- bnnbloomberg
- prnewswire
- globenewswire

#### REVENUE ESTIMATES

This bill increases state revenues by an estimated \$12.4 million in the 8 months of impacted collections in Fiscal Year 2022, and by \$19 million in Fiscal Year 2023, the first full year of impacted collections.

#### TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2022 -	\$ 12,400
FY 2023 -	\$ 19,000
FY 2024 -	\$ 19,700
FY 2025 -	\$ 20,200
FY 2026 -	\$ 20,700
FY 2027 -	\$ 21,200

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 31,000 taxpayers.

#### FIRST YEAR COSTS:

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The Department will incur total costs of \$309,500 in Fiscal Year 2022. These costs include:

Labor Costs - Time and effort equates to 2.36 FTEs.

- Amend one administrative rule.
- Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email and web message and paper correspondence.
- Examine accounts and make corrections as necessary.
- Create paper returns, design and develop new templates and forms, update scanning programming and training.
- Additional time required for routine audits due to the reporting changes.
- Set up, program, and test computer system changes.
- Respond to letter ruling requests, email inquiries, and more difficult call backs from the telephone information center.

Object Costs - \$76,800.

- Print and mail additional reporting forms to affected taxpayers.
- Contract computer system programming.
- Print and mail a special notice to affected taxpayers who do not file tax returns electronically.

#### SECOND YEAR COSTS:

The Department will incur total costs of \$80,800 in Fiscal Year 2023. These costs include:

Labor Costs - Time and effort equates to 0.8 FTEs.

- Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email and web message and paper correspondence.
- Examine accounts and make corrections as necessary.
- Additional time required for routine audits due to the reporting changes.

Object Costs - \$1,200.

- Print and mail additional reporting forms to affected taxpayers.

#### ONGOING COSTS:

Ongoing costs for the 2023-2025 Biennium equal \$161,600 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	2.4	0.8	1.6	0.8	0.8
A-Salaries and Wages	135,200	49,800	185,000	99,600	94,200
B-Employee Benefits	48,700	17,900	66,600	35,800	33,900
C-Professional Service Contracts	74,800		74,800		
E-Goods and Other Services	31,900	10,300	42,200	20,600	19,600
G-Travel	1,800	1,800	3,600	3,600	3,600
J-Capital Outlays	17,100	1,000	18,100	2,000	1,800
<b>Total \$</b>	<b>\$309,500</b>	<b>\$80,800</b>	<b>\$390,300</b>	<b>\$161,600</b>	<b>\$153,100</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 2022	FY 2023	2021-23	2023-25	2025-27
EMS BAND 4	119,061	0.0		0.0		
EXCISE TAX EX 2	54,108	0.3	0.2	0.3	0.2	0.2
EXCISE TAX EX 3	59,688	0.1	0.1	0.1	0.1	0.1
IT QA-JOURNEY	85,644	0.1		0.1		
MGMT ANALYST4	70,956	0.3		0.2		
RECORDS MGMT SUPV	67,560	0.1		0.1		
REVENUE AUDITOR 3	65,928	0.5	0.5	0.5	0.5	0.5
TAX INFO SPEC 1	43,392	0.8		0.4		
TAX INFO SPEC 4	64,332	0.1		0.1		
TAX POLICY SP 2	72,756	0.0		0.0		
TAX POLICY SP 3	82,344	0.0		0.0		
TAX POLICY SP 4	88,644	0.0		0.0		
WMS BAND 3	101,257	0.0		0.0		
<b>Total FTEs</b>		2.4	0.8	1.6	0.8	0.8

**III. C - 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

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 expedited process to amend WAC 458-20-217, titled: "Lien for taxes".

Persons affected by this rule-making would include businesses selling smart wireless devices, and consumers purchasing smart wireless devices.