

Multiple Agency Fiscal Note Summary

Bill Number: 5396 S SB	Title: Farmworker housing/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	(4,700,000)	(4,700,000)	(4,707,000)	(5,000,000)	(5,000,000)	(5,008,000)	(5,000,000)	(5,000,000)	(5,008,000)
Total \$	(4,700,000)	(4,700,000)	(4,707,000)	(5,000,000)	(5,000,000)	(5,008,000)	(5,000,000)	(5,000,000)	(5,008,000)

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
Joint Legislative Audit and Review Committee	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	.7	159,700	159,700	159,700	.4	88,600	88,600	88,600	.4	88,600	88,600	88,600
Total \$	0.7	159,700	159,700	159,700	0.4	88,600	88,600	88,600	0.4	88,600	88,600	88,600

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
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: Gaius Horton, OFM	Phone: (360) 819-3112	Date Published: Final 2/18/2021
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Individual State Agency Fiscal Note

Bill Number: 5396 S SB	Title: Farmworker housing/tax	Agency: 014-Joint Legislative Audit and Review Committee
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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.
- ☐ 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: Alia Kennedy	Phone: 360-786-7405	Date: 02/12/2021
Agency Preparation: Rachel Murata	Phone: 360-786-5293	Date: 02/16/2021
Agency Approval: Keenan Konopaski	Phone: 360-786-5187	Date: 02/16/2021
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 02/18/2021

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 amends the current sales and use tax exemption for farmworker housing.

Tax Preference Performance Statement

Section 3 creates a tax preference performance statement for the exemption, stating the Legislature intends to induce behavior by taxpayers to increase the supply of farmworker housing. If a review finds new farmworker housing is developed utilizing the exemption, the Legislature intends to extend the expiration date of the preference.

Changes to the sales and use tax exemption

Sections 1 and 2 make changes to the qualifications for the exemption. It expands the exemption to include developments where at least 50% of housing is for farmworkers, and narrows the exemption to exclude housing built exclusively for H-2A visa workers. The section also creates new definitions for farm work and farmworker, and adds aquaculture to the definition of agricultural employer. The exemption expires January 1, 2032.

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.

Because the bill modifies an existing tax preference that is already subject to the tax preference performance review process, it is assumed the bill would not require an additional study and there is no fiscal impact.

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

Department of Revenue Fiscal Note

Bill Number: 5396 S SB	Title: Farmworker housing/tax	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 01 - Retail Sales Tax	(2,200,000)	(2,500,000)	(4,700,000)	(5,000,000)	(5,000,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(3,000)	(4,000)	(7,000)	(8,000)	(8,000)
Total \$	(2,203,000)	(2,504,000)	(4,707,000)	(5,008,000)	(5,008,000)

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	1.0	0.4	0.7	0.4	0.4
Account					
GF-STATE-State 001-1	115,400	44,300	159,700	88,600	88,600
Total \$	115,400	44,300	159,700	88,600	88,600

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: Alia Kennedy	Phone: 360-786-7405	Date: 02/12/2021
Agency Preparation: Erikka Ferrara	Phone: 360-534-1517	Date: 02/15/2021
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/15/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/15/2021

Request # 5396-2-1

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.

Note: This fiscal note reflects language in SSB 5396, 2021 Legislative Session.

CURRENT LAW:

Sales and use tax levied by RCW 82.08.020 does not apply to charges made for labor and services used in constructing, repairing, decorating, or improving new or existing structures used solely as agricultural employee housing. Agricultural employers, governmental entities, nonprofit organizations, or for-profit housing providers may own housing facilities. Agricultural employee housing does not include housing regularly provided on a commercial basis to the general public.

PROPOSED LAW:

Section 1 and 2 extends the sales and use tax exemption to new or existing structures in which at least 50% of the housing units are used as farmworker housing.

Section 1 also amends the definition of "agricultural employer" to include any employer engaged in aquaculture as defined in RCW 15.85.020.

The exemption does not apply to housing built exclusively for the occupancy of workers in the United States on an H-2A visa under the United States citizenship and immigration services.

These sections expire on January 1, 2032.

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

- Assumed no growth due to variability in data.
- A three year average of Department of Revenue (Department) excise tax return data was used due to the large variation in annual deductions claimed for this exemption.
- The percent increase in deductions will equal the percent increase in number of units eligible for the exemption.
- Exempt taxable sales amounts will increase by 98 percent.
- Washington State Housing Finance Commission data is consistent with farm worker housing data across the state.
- Effective date of July 1, 2021 results in eleven months of impact in Fiscal Year 2022.

DATA SOURCES

- Department of Revenue excise tax data
- Washington State Housing Finance Commission
- Washington Joint Legislative Audit and Review Committee data

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$2.2 million in the 11 months of impacted collections in Fiscal Year 2022, and by \$2.5 million in Fiscal Year 2023, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$1.0 million in the 11 months of impacted collections in Fiscal Year 2022, and by \$1.1 million in

Fiscal Year 2023, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2022 - \$ (2,203)
FY 2023 - \$ (2,504)
FY 2024 - \$ (2,504)
FY 2025 - \$ (2,504)
FY 2026 - \$ (2,504)
FY 2027 - \$ (2,504)

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

FY 2022 - \$ (1,000)
FY 2023 - \$ (1,100)
FY 2024 - \$ (1,100)
FY 2025 - \$ (1,100)
FY 2026 - \$ (1,100)
FY 2027 - \$ (1,100)

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 does not affect any new taxpayers, but does increase the number of properties that qualify for exemption.

FIRST YEAR COSTS:

The Department will incur total costs of \$115,400 in Fiscal Year 2022. These costs include:

Labor Costs – Time and effort equates to 0.96 FTEs.

- Additional time to audit current taxpayers that possibly qualify for a larger exemption.
- Additional review requests.
- Amend one administrative rule.

SECOND YEAR COSTS:

The Department will incur total costs of \$44,300 in Fiscal Year 2023. These costs include:

Labor Costs – Time and effort equates to 0.4 FTEs.

- Additional time to audit current taxpayers that possibly qualify for a larger exemption.
- Additional review requests

ONGOING COSTS:

Ongoing costs for the 2023-2025 Biennium equal \$88,600 and include similar activities described in the second year costs. Time and effort equates to 0.4 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	1.0	0.4	0.7	0.4	0.4
A-Salaries and Wages	70,600	28,400	99,000	56,800	56,800
B-Employee Benefits	25,400	10,200	35,600	20,400	20,400
E-Goods and Other Services	11,900	4,600	16,500	9,200	9,200
G-Travel	700	700	1,400	1,400	1,400
J-Capital Outlays	6,800	400	7,200	800	800
Total \$	\$115,400	\$44,300	\$159,700	\$88,600	\$88,600

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		
MGMT ANALYST4	70,956	0.0		0.0		
REVENUE AUDITOR 2	59,688	0.2	0.2	0.2	0.2	0.2
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	0.5	0.2	0.4	0.2	0.2
TAX POLICY SP 4	88,644	0.1		0.1		
WMS BAND 3	101,257	0.0		0.0		
Total FTEs		1.0	0.4	0.7	0.4	0.4

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 458-20-262, titled: "Retail sales and use tax exemptions for agricultural employee housing". Persons affected by this rule-making would include employers that provide agricultural employee housing.

Request # 5396-2-1