

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1330 S HB	<b>Title:</b> Electric bicycles/sales 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	(605,000)	(605,000)	(606,000)	0	0	0	0	0	0
<b>Total \$</b>	<b>(605,000)</b>	<b>(605,000)</b>	<b>(606,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</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						
Local Gov. Other		(263,339)				
Local Gov. Total		(263,339)				

## 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	.1	14,200	14,200	14,200	.2	54,800	54,800	54,800	.1	26,400	26,400	26,400
Department of Revenue	.7	195,200	195,200	195,200	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.8</b>	<b>209,400</b>	<b>209,400</b>	<b>209,400</b>	<b>0.2</b>	<b>54,800</b>	<b>54,800</b>	<b>54,800</b>	<b>0.1</b>	<b>26,400</b>	<b>26,400</b>	<b>26,400</b>

## 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
<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

**Prepared by:** Ramona Nabors, OFM

**Phone:**

(360) 902-0547

**Date Published:**

Final 2/28/2021

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1330 S HB	<b>Title:</b> Electric bicycles/sales tax	<b>Agency:</b> 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:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1	0.0	0.1	0.2	0.1
<b>Account</b>					
General Fund-State      001-1	12,200	2,000	14,200	54,800	26,400
<b>Total \$</b>	12,200	2,000	14,200	54,800	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.

Legislative Contact: Rachele Harris	Phone: 360-786-7137	Date: 02/19/2021
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 02/22/2021
Agency Approval: Valerie Whitener	Phone: 360 786-5191	Date: 02/22/2021
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 02/23/2021

## 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 creates a sales and use tax exemption for purchases of new electric bicycles and related cycling equipment.

Section 1: States the Legislature's intent to increase sales of electric bicycles by exempting purchases of new qualifying bicycles from sales tax.

#### TAX PERFORMANCE STATEMENT DETAILS

Section 2: Provides a tax preference performance statement categorizing the preference as one intended to provide tax relief to certain individuals, as indicated under RCW 82.32.808(2)(e). The specific public policy objective is stated to encourage citizens to own and use electric bicycles by helping with purchases of electric bicycles and related equipment.

If a review of the preference finds that the number of electric bicycles purchased in Washington increases 25% compared to the number of electric bicycles in calendar year 2019, then the Legislature intends to extend the expiration date of the preference.

JLARC is to refer to any data collected by the state to perform its review.

#### SALES AND USE TAX EXEMPTION CREATED

Sections 3 and 4: Create new sections in chapters 82.08 and 82.12 RCW to provide a new sales and use tax exemption for sales of new electric bicycles and up to \$200 in related cycling equipment. The exemption takes effect August 1, 2021, and is available on a first-come basis until the exemption expires.

The Department of Revenue (DOR) must post a quarterly balance report on its website that includes an estimated expiration date for the exemption. If the remaining balance of exemptions available is less than \$10,000, DOR must publish notification on its website. "Electric bicycle" and "related cycling equipment" are defined.

The exemption expires the earlier of:

- May 1, 2027; or
- The first day of the first month after the month that DOR determines \$500,000 in total sales tax exemptions has been granted under the exemption.

DOR must provide written notice of the expiration date to affected parties, and house and senate officials.

### 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.

JLARC staff would contact and work with the Department of Revenue immediately after passage of the bill to ensure project contacts are established and any other necessary data for JLARC staff’s future evaluation needs are identified and collected. JLARC staff would also work to establish a baseline level of electric bicycle sales as of 2019, as this is the key measure as to whether the Legislature will extend the preference. A data source is not clearly stated for the 2019 baseline.

It is unclear when JLARC would review this preference. The JLARC review would depend on how much the preference is used and when the Citizen Commission for the Performance Measurement of Tax Preferences determines the review will occur. For purposes of this fiscal note, it is assumed the review will be conducted in 2024 and 2025, prior to May 1, 2027, final contingent expiration date.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2021 legislative session.

This audit will require an estimated 5 audit months.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst’s time for a month, together with related administrative, support, and goods/services costs. JLARC’s anticipated 2021-23 costs are calculated at approximately \$20,300 per audit month.

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	12,200	2,000	14,200	54,800	26,400
<b>Total \$</b>			12,200	2,000	14,200	54,800	26,400

#### III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1		0.1	0.2	0.1
A-Salaries and Wages	7,600	1,300	8,900	34,300	16,500
B-Employee Benefits	2,400	400	2,800	10,800	5,200
C-Professional Service Contracts					
E-Goods and Other Services	2,000	300	2,300	8,900	4,300
G-Travel	200		200	800	400
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	12,200	2,000	14,200	54,800	26,400

**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*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Research Analyst	113,827	0.1		0.1	0.1	0.1
Support staff	77,705				0.1	0.1
<b>Total FTEs</b>		0.1		0.1	0.2	0.1

**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

<b>Bill Number:</b> 1330 S HB	<b>Title:</b> Electric bicycles/sales 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
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(605,000)		(605,000)		
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(1,000)		(1,000)		
<b>Total \$</b>	(606,000)		(606,000)		

### Estimated Expenditures from:

Account	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	1.3		0.7		
GF-STATE-State 001-1	195,200		195,200		
<b>Total \$</b>	195,200		195,200		

### 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: Rachelle Harris	Phone: 360-786-7137	Date: 02/19/2021
Agency Preparation: Marianne McIntosh	Phone: 360-534-1505	Date: 02/24/2021
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 02/24/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/28/2021

Request # 1330-2-1

## 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 SHB 1330, 2021 Legislative Session.

#### CURRENT LAW

Electric bicycles and related cycling equipment are subject to retail sales and use tax.

#### COMPARISON OF SUBSTITUTE BILL WITH THE ORIGINAL BILL

The substitute bill amends the expiration for the exemption when the total retail sales and use tax reaches \$500,000 prior to May 1, 2027.

#### PROPOSED LAW

Beginning August 1, 2021, this bill provides a retail sales and use tax exemption on purchases of new electric bicycles and up to \$200 in related cycling equipment. The exemption expires May 1, 2027 or the first day of the first month after the month in which the Department of Revenue (Department) has determined the total retail sales and use tax exemptions taken totals \$500,000.

The Department must post a quarterly balance report on its website of the remaining balance of the exemption as well as the estimated expiration date. If the remaining balance of the exemptions available is less than \$10,000, the Department must publish a notification on its website. Once the exemption expires, the Department must notify the affected parties as well as the Chief Clerk of the House of Representatives, the Secretary of the Senate, the Office of the Code Reviser and others deemed appropriate by the Department.

#### 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 electric bicycle market has grown 800 percent between 2014 and 2018. The growth continues through 2020 even with the decrease in the economy due to the pandemic.
- The compound annual growth rate for electric bicycles is forecasted to be 12 percent for 2020 through 2025.
- Consumers are purchasing electric bicycles for recreational use and as an alternative to public transportation due to COVID-19.
- Based on the Department's tax return data, the sales in the electric bicycle industry have radically increased in the last two years.
- The \$500,000 exemption cap will be met by September 2021 sales activity, which is reported to the Department in October. Tax returns are submitted the month following the sales activity.
- The Department will post a notification by November 1, 2021 the exemption cap has been met. The exemption will officially expire - November 30 to allow time to notify taxpayers as well as update the Department's system.
- The retail sales and use tax cap includes local tax.
- Four month impact in Fiscal Year 2022 due to the cap being met and exemption expiring November 30, 2021.
- Local impacts use the statewide average local sales and use tax rate of 2.8533 percent.

#### DATA SOURCES

Request # 1330-2-1



- Department of Revenue, excise tax returns
- Mordor Intelligence, Industry Market Review, Electric Bikes
- TheVerge.com, "Forget electric cars - e-bikes will be the top selling EV in the next decade"
- BicycleRetailer.com, "This boom's gone electric"

**REVENUE ESTIMATES**

This bill decreases state revenues by an estimated \$606,000 in the 4 months of impacted collections in Fiscal Year 2021. This bill also decreases local revenues by an estimated \$266,000 in the 4 months of impacted collections in Fiscal Year 2021.

**TOTAL REVENUE IMPACT:**

State Government (cash basis, \$000):

FY 2022 -	(\$ 606)
FY 2023 -	\$ 0
FY 2024 -	\$ 0
FY 2025 -	\$ 0
FY 2026 -	\$ 0
FY 2027 -	\$ 0

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

FY 2022 -	(\$ 266)
FY 2023 -	\$ 0
FY 2024 -	\$ 0
FY 2025 -	\$ 0
FY 2026 -	\$ 0
FY 2027 -	\$ 0

**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 500 taxpayers.
- The cap on this exemption will be reached within Fiscal Year 2022.

**FIRST YEAR COSTS:**

The Department will incur total costs of \$195,200 in Fiscal Year 2022. These costs include:

Labor Costs – Time and effort equates to 1.3 FTEs.

- Test and maintain system changes.
- Update publications and information on the Department website.
- Answer additional taxpayer emails and phone calls.
- Help taxpayers with reporting returns and navigating the Department website.
- Update paper returns and design new forms.

Object Costs - \$44,000.

- Contracted system programming.

There are no ongoing costs.

### Part III: Expenditure Detail

#### III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	1.3		0.7		
A-Salaries and Wages	92,400		92,400		
B-Employee Benefits	33,300		33,300		
C-Professional Service Contracts	44,000		44,000		
E-Goods and Other Services	16,400		16,400		
J-Capital Outlays	9,100		9,100		
<b>Total \$</b>	<b>\$195,200</b>		<b>\$195,200</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 2022	FY 2023	2021-23	2023-25	2025-27
EXCISE TAX EX 3	59,688	0.2		0.1		
IT SYS ADM-JOURNEY	89,916	0.2		0.1		
MGMT ANALYST4	70,956	0.6		0.3		
RECORDS MGMT SUPV	67,560	0.2		0.1		
TAX INFO SPEC 4	64,332	0.1		0.1		
<b>Total FTEs</b>		<b>1.3</b>		<b>0.7</b>		

#### 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

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 1330 S HB	<b>Title:</b> Electric bicycles/sales tax
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**Part I: Jurisdiction**—Location, type or status of political subdivision defines range of fiscal impacts.

**Legislation Impacts:**

- Cities: decrease in sales and use tax revenue
- Counties: decrease in sales and use tax revenue
- Special Districts: decrease in sales and use tax revenue
- Specific jurisdictions only:
- Variance occurs due to:

**Part II: Estimates**

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time:

**Estimated revenue impacts to:**

Jurisdiction	FY 2022	FY 2023	2021-23	2023-25	2025-27
City	(79,067)		(79,067)		
County	(92,726)		(92,726)		
Special District	(91,546)		(91,546)		
<b>TOTAL \$</b>	(263,339)		(263,339)		
<b>GRAND TOTAL \$</b>					(263,339)

**Estimated expenditure impacts to:**

None

**Part III: Preparation and Approval**

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/25/2021
Leg. Committee Contact: Rachele Harris	Phone: 360-786-7137	Date: 02/19/2021
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/25/2021
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/28/2021

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

*Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.*

#### **CHANGES FROM PRIOR BILL VERSION**

This substitute bill changes the expiration for the exemption from "May 1, 2027, or when the total retail sales and use tax exemptions claimed reach \$500,000" to "May 1, 2027, or the first day of the first month after the month in which the Department of Revenue (Department) has determined the total retail sales and use tax exemptions claimed totals \$500,000."

These changes do not alter the previous analysis of local government impact.

#### **SUMMARY OF CURRENT BILL**

This bill creates a retail sales and use tax exemption on the sale of new electric bicycles and up to \$200 in related cycling equipment beginning August 1, 2021. The exemption will expire on May 1, 2027, or the first day of the first month after the month in which the Department of Revenue (Department) has determined the total retail sales and use tax exemptions claimed totals \$500,000."

The bill takes effect 90 days after the final adjournment of the session in which it is enacted.

### **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.*

#### **CHANGES FROM PRIOR BILL**

Changes in this version do not alter the previous analysis of impacts.

#### **SUMMARY OF CURRENT BILL**

This bill will not impact local government expenditures.

### **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.*

#### **CHANGES FROM PRIOR BILL**

Changes in this version do not alter the previous analysis of impacts.

#### **SUMMARY OF CURRENT BILL**

This bill will result in a decrease in local revenues by an estimated \$266,000 in Fiscal Year 2022. It is estimated by the Dept. of Revenue that the \$500,000 exemption cap will be met by September 2021 sales activity, which is reported in October.

ASSUMPTIONS: see the DOR Fiscal Note Draft 1330-1 HB

COUNTY IMPACT: FY 2022 - (\$ 92,726)

CITY IMPACT: FY 2022 - (\$ 79,067)

SPECIAL DISTRICT: FY 2022 - (\$ 91,546)

#### **METHODOLOGY:**

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2019. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. The result is a distribution of 35.21 percent to counties, 30.02 percent to cities, and 34.76 percent to special districts. The one percent DOR administrative fee has also been deducted.

#### **SOURCES:**

Department of Revenue Fiscal Note

Department of Revenue Local Tax Distributions

Local Government Fiscal Note Program Sales and Use Tax Distribution Model