

Multiple Agency Fiscal Note Summary

Bill Number: 2018 HB	Title: Sales and use tax holiday
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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
Office of State Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Department of Revenue	(119,100,000)	(119,100,000)	(119,300,000)	0	0	0	0	0	0
Total \$	(119,100,000)	(119,100,000)	(119,300,000)	0	0	0	0	0	0

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		(52,470,000)				
Local Gov. Total		(52,470,000)				

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 Treasurer	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Department of Revenue	1.9	1,035,000	1,035,000	1,035,000	2.3	426,200	426,200	426,200	1.8	343,200	343,200	343,200
Total \$	1.9	1,035,000	1,035,000	1,035,000	2.3	426,200	426,200	426,200	1.8	343,200	343,200	343,200

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Office of State Treasurer	.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: Cheri Keller, OFM

Phone:
(360) 584-2207

Date Published:
Final 1/31/2022

Individual State Agency Fiscal Note

Bill Number: 2018 HB	Title: Sales and use tax holiday	Agency: 090-Office of State Treasurer
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

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: Tracey Taylor	Phone: 360-786-7152	Date: 01/16/2022
Agency Preparation: Dan Mason	Phone: (360) 902-8990	Date: 01/20/2022
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 01/20/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/21/2022

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 .

HB 2018 creates a three-day shop local and save sales and use tax holiday to benefit all Washington families. A shop local and save sales and use tax holiday mitigation account is created, coupled with the general fund as the recipient of the earnings from investments under RCW 43.84.092 (4).

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 .

The department of revenue must estimate each local taxing district revenue loss and notify the state treasurer.

Assumption: The legislature will appropriate a transfer from the general fund to the shop local and save sales and use tax holiday mitigation account.

Transfers, distributions, and projected cash flows are currently unavailable; therefore, estimated transfers, distributions and earnings from investments are indeterminable.

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.

By December 1, 2022, the state treasurer must transfer mitigation payments from the shop local and save sales and use tax holiday mitigation account each local taxing district impacted by the tax holiday.

Assumption: The legislature will appropriate the transfer (distribution) to the local taxing districts.

Transfers, distributions, and projected cash flows are currently unavailable ; therefore, estimated transfers, distributions and earnings from investments are indeterminable.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

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: 2018 HB	Title: Sales and use tax holiday	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		(119,100,000)	(119,100,000)		
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		(200,000)	(200,000)		
Total \$		(119,300,000)	(119,300,000)		

Estimated Expenditures from:

Account	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.2	3.5	1.9	2.3	1.8
GF-STATE-State 001-1	116,500	918,500	1,035,000	426,200	343,200
Total \$	116,500	918,500	1,035,000	426,200	343,200

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: Tracey Taylor	Phone: 60-786-7152	Date: 01/16/2022
Agency Preparation: Beth Leech	Phone: 60-534-1513	Date: 01/30/2022
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/30/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/30/2022

Request # 2018-1-1

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:

Retail sales and use tax applies to the selling price on each retail sale, in the state, of tangible personal property, digital goods, digital codes and digital automated services, retail services, extended warranties to consumers, and anything else, the sale of which is included in the definition of a retail sale, unless it is specifically excluded from that definition.

PROPOSAL:

This bill provides consumers a state and local sales and use tax exemption or "holiday" for a three-day period, beginning 12:00 a.m. on Saturday, September 3, 2022, and ending at 11:59 p.m. on Monday, September 5, 2022, on purchases of qualified items priced \$1,000 or less. Qualified items include clothing, certain computers and related products, school supplies, energy star qualified appliances, over-the-counter drugs, and certain health care equipment purchased by an individual.

This bill creates the shop local and save sales and use tax holiday mitigation account in the state treasury. To mitigate local sales and use tax revenue losses from the sales and use tax holiday, the state treasurer must transfer mitigation payments from this new account to local taxing districts impacted by the sales tax holiday by December 1, 2022. The Department of Revenue (Department) will estimate the mitigation payment amounts and notify the treasurer by November 18, 2022, of the amount of each mitigation payment that must be transferred to each local taxing district.

The Department's estimates may not be overturned by a court except upon a showing of willful misconduct by clear, cogent, and convincing evidence.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session in which it is enacted and expires June 30, 2023.

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 assume there are no violations of the Streamlined Sales and Use Tax Agreement (SSUTA).
- The majority of school clothing and supplies would be purchased during the sales and use tax holiday period.
- The majority of school clothing and supplies cost \$100 or less per item.
- Teachers purchase 50% of the amount households do for classroom back to school supplies.
- This tax exemption is available to all persons who purchase qualifying items.
- Revenues as estimated assume passage of the proposal by March 10, 2022, allowing a full 90 days to implement.

DATA SOURCES:

- Statista.com
- Streamlined Sales Tax Governing Board
- U.S. Census Bureau
- The Federal Reserve
- National Center for Education Statistics
- Office of the Superintendent of Public Instruction

REVENUE ESTIMATES:

Request # 2018-1-1

This bill decreases state revenues by an estimated \$119.3 million in Fiscal Year 2023. This bill also decreases local revenues by an estimated \$53.0 million in Fiscal Year 2023.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2022 -	\$	0
FY 2023 -	(\$	119,300)
FY 2024 -	\$	0
FY 2025 -	\$	0
FY 2026 -	\$	0
FY 2027 -	\$	0

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

FY 2022 -	\$	0
FY 2023 -	(\$	53,000)
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

ASSUMPTIONS:

This legislation will affect 29,500 taxpayers.

FIRST YEAR COSTS:

The Department will incur total costs of \$116,500 in Fiscal Year 2022. These costs include :

Labor Costs - Time and effort equates to 0.2 FTE.
- Set up, program, and test computer system changes.

Object Costs - \$88,000.
- Contract computer system programming.

SECOND YEAR COSTS:

The Department will incur total costs of \$918,500 in Fiscal Year 2023. These costs include :

Labor Costs - Time and effort equate to 3.5 FTEs.
- Review reports, scrutinize data, examine accounts, and make corrections as necessary.
- Process tax return work items; assist taxpayers with reporting questions; and respond to inquiries via email, web message, and paper correspondence.
- Create a special notice.
- Respond to letter ruling requests, email inquiries, and phone calls.
- Update web pages, publications, and forms.
- Perform field audits.
- Create an excise tax advisory.

Object Costs - \$571,100.

- Contract media outreach including research and objective planning, creation and placement of print and media deliverables, and monitoring of results.
- Postage and printing.

ONGOING COSTS:

Ongoing costs for the 2023-25 Biennium equal \$426,200 and include similar activities described in the second-year costs. Time and effort equate to 2.3 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	0.2	3.5	1.9	2.3	1.8
A-Salaries and Wages	18,000	198,400	216,400	263,500	211,600
B-Employee Benefits	6,500	71,500	78,000	94,800	76,200
C-Professional Service Contracts	88,000		88,000		
E-Goods and Other Services	2,600	615,700	618,300	50,400	39,200
G-Travel		6,000	6,000	12,000	12,000
J-Capital Outlays	1,400	26,900	28,300	5,500	4,200
Total \$	\$116,500	\$918,500	\$1,035,000	\$426,200	\$343,200

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	122,633		0.0	0.0		
EMS BAND 5	143,263		0.0	0.0		
EXCISE TAX EX 2	54,108		0.2	0.1		
EXCISE TAX EX 3	59,688		0.1	0.1		
IT SYS ADM-JOURNEY	89,916	0.2		0.1		
MGMT ANALYST4	70,956		0.1	0.1		
REVENUE AUDITOR 2	59,688		1.7	0.9	1.7	1.7
TAX INFO SPEC 1	43,392		0.8	0.4	0.4	0.1
TAX INFO SPEC 4	64,332		0.5	0.3	0.2	
TAX POLICY SP 2	72,756		0.0	0.0		
TAX POLICY SP 3	82,344		0.1	0.0		
TAX POLICY SP 4	88,644		0.0	0.0		
WMS BAND 3	104,295		0.0	0.0		
Total FTEs		0.2	3.5	1.9	2.3	1.8

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

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2018 HB

Title: Sales and use tax holiday

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

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

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs: this sales and use tax holiday will occur in Sept 2022 only.
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: it is unknown how the Washington State Dept. of Revenue will determine mitigation payment amounts

Estimated revenue impacts to:

Jurisdiction	FY 2022	FY 2023	2021-23	2023-25	2025-27
City		(15,610,959)	(15,610,959)		
County		(18,866,074)	(18,866,074)		
Special District		(17,992,967)	(17,992,967)		
TOTAL \$		(52,470,000)	(52,470,000)		
GRAND TOTAL \$					(52,470,000)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 01/31/2022
Leg. Committee Contact: Tracey Taylor	Phone: 360-786-7152	Date: 01/16/2022
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/31/2022
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/31/2022

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill would create a sales and use tax exemption that applies to the purchase of “qualified items” during a 3-day period: Sept. 3, 2022 – Sept. 5, 2022. "Qualified items" means clothing, certain computers and related products, school supplies, energy star qualified appliances, over-the-counter drugs, and certain health care equipment purchased by an individual. Each item must be priced at \$1,000 or less. "Qualified items " does not include motor vehicles, boats, services, construction, tobacco or marijuana products, alcoholic beverages, utilities, travel, or meals.

Section 4 adds a new section to chapter 82.14 RCW: (Local Retail Sales and Use Taxes) that creates a new account in the state treasury: the “Shop local and save sales and use tax holiday mitigation” account.

Section 5 adds a new section to chapter 82.14 RCW that describes how the State Dept. of Revenue will determine the amount of each mitigation payment due to local governments as mitigation for the loss of revenue expected by this new sales and use tax holiday. The department of revenue's estimates under this section may not be overturned by a court except upon a showing of willful misconduct by clear, cogent, and convincing evidence.

Performance statement and tax preference expiration do not apply to this act.

This holiday will apply to 2022 only; it will expire June 30, 2023.

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.

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.

This bill decreases local government revenues by an estimated \$53.0 million in Fiscal Year 2023, according to the Washington Dept. of Revenue.

This bill creates a plan to mitigate local government revenue loss. It is unknown how the Washington State Dept. of Revenue will determine mitigation payment amounts, and it is unknown how the mitigation payments were factored into the Dept. of Revenue's predictions.

Counties:

FY 2023 -18,866,074

Cities:

FY 2023 -15,610,959

Special Districts:

FY 2023 -17,992,967

METHODOLOGY:

The distributions among cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2020. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. The result is a distribution of 35.96 percent to counties, 29.75 percent to cities, and 34.29 percent to special districts. The one percent DOR administrative fee has been deducted.

SOURCES:

Department of Revenue Fiscal Note

Department of Revenue Local Tax Distributions