

Department of Revenue Fiscal Note

Bill Number: 1005 HB	Title: Military/employer tax incen.	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(134,000)	(146,000)	(280,000)	(292,000)	(292,000)
GF-STATE-State 01 - Taxes 35 - Public Utilities Tax	(2,000)	(2,000)	(4,000)	(4,000)	(4,000)
Total \$	(136,000)	(148,000)	(284,000)	(296,000)	(296,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2	0.2	0.2	0.2	0.2
GF-STATE-State 001-1	29,800	19,300	49,100	38,600	38,600
Total \$	29,800	19,300	49,100	38,600	38,600

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: Rachele Harris	Phone: 60-786-7137	Date: 01/17/2023
Agency Preparation: Beth Leech	Phone: 60-534-1513	Date: 01/17/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/17/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/17/2023

Request # 1005-1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

CURRENT LAW:

Businesses hiring qualified employees for full-time employment positions located in Washington may take a business and occupation (B&O) tax credit or public utility (PU) tax credit. The credit equals 20% of the wages and benefits paid to or on behalf of a qualified employee up to a maximum of \$1,500 for each qualified employee. No person may claim a credit against both B&O tax due and PU tax due for the same qualified employee.

The Department of Revenue (department) tracks the total amount of credit. This total may not exceed \$500,000 for any fiscal year. There is no limit on the total credit an employer may receive. Credits are available on a first-in-time basis. Unused credits may be carried over until used or until June 30, 2023.

A qualified employee means an unemployed veteran who is employed in a permanent full-time position for at least two consecutive full calendar quarters. The veteran must have been unemployed for at least 30 days immediately preceding the date the veteran was hired by the person claiming the credit.

This credit expires July 1, 2023.

PROPOSAL:

For credits claimed after July 1, 2023, the credit amount is raised to \$3,000 per qualified employee. The total amount of credit must not exceed \$5 million in any fiscal year.

A qualified employee means a veteran, spouse of a veteran, or spouse of an active-duty military member.

Credits can be earned for tax reporting periods through June 30, 2033, and no credits can be claimed after June 30, 2034.

The credit expires July 1, 2034.

EFFECTIVE DATE:

This bill takes effect on July 1, 2023.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

- There are an estimated 39,000 military spouses and 300,000 veteran spouses in Washington.
- Based on historical use of these B&O and PUT credits, less than 50 businesses who employ military and veteran spouses claim these credits annually.
- This proposal takes effect July 1, 2023, and impacts 11 months of collections in fiscal year 2024.

DATA SOURCES:

- Department of Revenue, excise tax return data
- US Department of Veterans Affairs
- Militaryonesource.mil, 2021 demographics profile
- American Enterprise Institute, Veteran's snapshot, 2017
- Department of Commerce, choose Washington State website

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$134,000 in the 11 months of impacted collections in fiscal year 2024, and by \$148,000 in fiscal year 2025, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

- FY 2024 - (\$ 136)
- FY 2025 - (\$ 148)
- FY 2026 - (\$ 148)
- FY 2027 - (\$ 148)
- FY 2028 - (\$ 148)
- FY 2029 - (\$ 148)

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

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

This estimate affects under 40 taxpayers that provide full-time employment to veterans, spouses of veterans, or spouses of active-duty military members.

FIRST YEAR COSTS:

The department will incur total costs of \$29,800 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.2 FTEs.

- Respond to secure messages, correspondence, and telephone questions.
- Conduct account examinations and issue assessments or credit adjustments.
- Gathering requirements, implementation meetings, documentation, and testing of system changes due to new credit.

Object Costs - \$8,800.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$19,300 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.2 FTEs.

- Respond to secure messages, correspondence, and telephone questions.
- Conduct account examinations and issue assessments or credit adjustments.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$38,600 and include similar activities described in the second-year costs. Time and effort equate to 0.2 FTEs per year.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2	0.2	0.2	0.2	0.2
A-Salaries and Wages	12,300	12,300	24,600	24,600	24,600
B-Employee Benefits	4,100	4,100	8,200	8,200	8,200
C-Professional Service Contracts	8,800		8,800		
E-Goods and Other Services	3,200	2,300	5,500	4,600	4,600
J-Capital Outlays	1,400	600	2,000	1,200	1,200
Total \$	\$29,800	\$19,300	\$49,100	\$38,600	\$38,600

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EXCISE TAX EX 3	61,632	0.2	0.2	0.2	0.2	0.2
Total FTEs		0.2	0.2	0.2	0.2	0.2

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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required