

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5092 SB	<b>Title:</b> Hybrid vehicles/tax ex.
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## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(52,220,000)	(52,220,000)	(54,700,000)	(6,487,000)	(6,487,000)	(6,800,000)	(749,000)	(749,000)	(782,000)
<b>Total \$</b>	(52,220,000)	(52,220,000)	(54,700,000)	(6,487,000)	(6,487,000)	(6,800,000)	(749,000)	(749,000)	(782,000)

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Licensing	1.0	0	0	320,000	1.0	0	0	298,000	1.0	0	0	298,000
<b>Total \$</b>	1.0	0	0	320,000	1.0	0	0	298,000	1.0	0	0	298,000

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Licensing	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	0.0	0	0	0.0	0	0	0.0	0	0

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Kyle Siefering, OFM	<b>Phone:</b> (360) 995-3825	<b>Date Published:</b> Final
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5092 SB	<b>Title:</b> Hybrid vehicles/tax ex.	<b>Agency:</b> 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 01 - Retail Sales Tax	(24,460,000)	(27,760,000)	(52,220,000)	(6,487,000)	(749,000)
Multimodal Transportation Account-State 01 - Taxes 01 - Retail Sales Tax	(1,100,000)	(1,300,000)	(2,400,000)	(300,000)	(32,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(40,000)	(40,000)	(80,000)	(13,000)	(1,000)
<b>Total \$</b>	(25,600,000)	(29,100,000)	(54,700,000)	(6,800,000)	(782,000)

### Estimated 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: Jeffrey Mitchell	Phone: 60-786-7438	Date: 01/09/2023
Agency Preparation: Alex Merk-Dyes	Phone: 60-534-1601	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

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## 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:

The law provides a sales and use tax exemption for sales of new and used passenger cars, light duty trucks, and medium duty passenger vehicles that (a) are exclusively powered by a clean alternative fuel or (b) use at least one method of propulsion capable of being recharged from an external source of electricity and can travel at least 30 miles using only battery power. "Clean alternative fuel" includes natural gas, propane, hydrogen, or electricity.

New vehicles with a selling price less than \$45,000, including the trade-in value, qualify for this exemption. Through July 31, 2021, the exemption maximum is \$25,000 of a vehicle's selling price or the total lease payments made plus the selling price of the leased vehicle if the original lessee purchases the leased vehicle. Beginning August 1, 2021, the exemption maximum is \$20,000 and decreases to \$15,000 on August 1, 2023. The qualification period ends August 1, 2025.

Used vehicles with a selling price less than \$30,000, including the trade-in value, qualify for this exemption. The first \$16,000 of the selling price or total lease payments made plus the selling price of the leased vehicle, if purchased by the original lessee, is exempt from sales and use tax.

All leases for qualifying vehicles signed by the qualification period end date continue to be exempt from retail sales and use tax until August 1, 2028, when these sections expire.

#### PROPOSAL:

This legislation expands the exemption to include hybrid electric and gasoline vehicles and all plug-in hybrid vehicles.

#### EFFECTIVE DATE:

The effective date of the proposal is 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:

- Average lease term is 36 months. To adjust for leases signed over the course of a fiscal year, sales tax is allocated over four fiscal years with six months of payments reflected in the first and fourth year and 12 months of payments reflected in the second and third year.
- The sales growth mirrors the November 2022 transportation forecast for hybrid vehicle renewal fees.
- The exemption for purchased vehicles expires August 1, 2025.
- The exemption for leased vehicles expires August 1, 2028.
- There will be two months of impact for fiscal year 2029 due to the lease exemption expiring August 1, 2028.
- Local impacts use the statewide average local sales and use tax rate of 2.9231 percent.
- This legislation takes effect July 1, 2023, and impacts 11 months of collections in fiscal year 2024.

#### DATA SOURCES:

- Office of Financial Management, November 2022 transportation forecast
- Department of Licensing, hybrid vehicle title data

#### REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$25.6 million in the 11 months of impacted collections in fiscal year 2024,

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and by \$29.1 million in fiscal year 2025, the first full year of impacted collections.

This bill also decreases local revenues by an estimated \$11 million in the 11 months of impacted collections in fiscal year 2024, and by \$12.5 million in fiscal year 2025, the first full year of impacted collections.

**TOTAL REVENUE IMPACT:**

State Government (cash basis, \$000):

FY 2024 -	(\$ 25,600)
FY 2025 -	(\$ 29,100)
FY 2026 -	(\$ 4,800)
FY 2027 -	(\$ 2,000)
FY 2028 -	(\$ 730)
FY 2029 -	(\$ 52)

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

FY 2024 -	(\$ 11,000)
FY 2025 -	(\$ 12,500)
FY 2026 -	(\$ 2,100)
FY 2027 -	(\$ 900)
FY 2028 -	(\$ 300)
FY 2029 -	(\$ 20)

**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 4,600 taxpayers.
- The department will incur minimal costs to implement and administer this proposal and will absorb these costs within current funding.
- Rulemaking regarding the exemption to include hybrid electric and gasoline vehicles and all plug-in hybrid vehicles is currently in progress. If this bill passes, the department will incorporate changes into the bill draft.

**FIRST YEAR COST:**

The Department of Revenue (department) will incur minimal costs of approximately \$19,000 in fiscal year 2024. These costs include:

- Labor Costs - Time and effort equates to approximately 360 hours.
- Assist in rulemaking process and evaluate review requests.
- Provide administrative support.
- Attend implementation meetings.
- Answer questions from dealerships regarding tax reporting.
- Create a special notice and update web content.
- Respond to additional telephone questions, email, and counter inquiries.

**SECOND YEAR COSTS:**

The department will incur minimal costs of less than \$3,000 in fiscal year 2025. These costs include:

- Labor Costs - Time and effort equates to approximately 60 hours.

- Conduct audit case reviews and monitor reports.
- Respond to additional telephone questions, emails, and counter inquiries.

**ONGOING COSTS:**

Ongoing costs for the 2025-27 biennium will be less than \$6,000 and include similar activities described in the second-year costs. Time and effort equate to approximately 120 hours.

**Part III: Expenditure Detail**

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

NONE

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

NONE

**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**

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5092 SB	<b>Title:</b> Hybrid vehicles/tax ex.	<b>Agency:</b> 240-Department of Licensing
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## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0	1.0	1.0	1.0	1.0
<b>Account</b>					
Highway Safety Account-State 106 -1	171,000	149,000	320,000	298,000	298,000
<b>Total \$</b>	171,000	149,000	320,000	298,000	298,000

### 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: Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/09/2023
Agency Preparation: Aaron Harris	Phone: (360) 902-3795	Date: 01/12/2023
Agency Approval: Gerrit Eades	Phone: (360)902-3863	Date: 01/12/2023
OFM Review: Kyle Siefering	Phone: (360) 995-3825	Date: 01/13/2023

## 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.

See attached fiscal note

### 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.

### 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.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
106-1	Highway Safety Account	State	171,000	149,000	320,000	298,000	298,000
<b>Total \$</b>			171,000	149,000	320,000	298,000	298,000

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0	1.0	1.0	1.0	1.0
A-Salaries and Wages	92,000	92,000	184,000	184,000	184,000
B-Employee Benefits	30,000	30,000	60,000	60,000	60,000
C-Professional Service Contracts					
E-Goods and Other Services	49,000	27,000	76,000	54,000	54,000
G-Travel					
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>	171,000	149,000	320,000	298,000	298,000

### 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 2024	FY 2025	2023-25	2025-27	2027-29
Management Analyst 5	91,524	1.0	1.0	1.0	1.0	1.0
<b>Total FTEs</b>		1.0	1.0	1.0	1.0	1.0

### 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**

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

NONE

### **IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

## **Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

Agency 240 – Department of Licensing

Bill Number: 5092 SB

Bill Title: Hybrid Vehicles Tax Exemptions

## Part 1: Estimates

No Fiscal Impact

### Estimated Cash Receipts:

Revenue	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
<b>Account Totals</b>		-	-	-	-	-

### Estimated Expenditures:

		FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
FTE Staff Years		1.0	1.0	1.0	1.0	1.0
Operating Expenditures	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Highway Safety	106	171,000	149,000	320,000	298,000	298,000
<b>Account Totals</b>		<b>171,000</b>	<b>149,000</b>	<b>320,000</b>	<b>298,000</b>	<b>298,000</b>

*The revenue 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.

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- 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.
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone: (360)	Date:
Agency Preparation: Aaron Harris	Phone: (360) 902-3795	Date: 01/11/2023
Agency Approval: Gerrit Eades	Phone: (360) 902-3931	Date:

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## Part 2 – Explanation

This bill expands the clean alternative fuel and electric vehicle sales and use tax exemption by removing the 30-mile battery range requirement for plug-in hybrids and including all gas/electric hybrid vehicles in the exemption. Effective July 1, 2023.

### **2.A – Brief Description Of What The Measure Does That Has Fiscal Impact**

Section 1: Amends RCW 82.08.9999 (Exemptions—Vehicles using clean alternative fuels and electric vehicles.)

- Modifies sales tax exemption criteria that currently apply to clean fuel vehicles by:
  - Eliminates the 30-mile battery range requirement for vehicles powered by at least one method of propulsion capable of external reenergization.
  - Adds a new exemption category to apply to hybrid vehicles that are powered by combination hybrid electric and gas. (Note: This is intended to read as applying to hybrid vehicles that do not plug in, and not intended to apply to gas-only vehicles.)
  - Effective July 1, 2023.

Section 2: Amends RCW 82.12.9999 (Exemptions—Vehicles using clean alternative fuels and electric vehicles.)

- Modifies use tax exemption criteria that currently apply to clean fuel vehicles by:
  - Eliminates the 30-mile battery range requirement for vehicles powered by at least one method of propulsion capable of external reenergization.
  - Adds a new exemption category to apply to hybrid vehicles that are powered by combination hybrid electric and gas. (Note: This is intended to read as applying to hybrid vehicles that do not plug in, and not intended to apply to gas-only vehicles.)
  - Effective July 1, 2023.

Section 3: New Section (Effective date)

- Effective July 1, 2023.

### **2.B - Cash receipts Impact**

Revenue	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
	<b>Account Totals</b>	-	-	-	-	-

This bill adds all gas/electric hybrid vehicles to a sales tax and vehicle use tax exemption. It also removes the 30-mile battery range requirement for plug-in hybrids. Revenue collected for the Department of Revenue (DOR) associated with sales and use tax are pass-through only for the Department of Licensing (DOL). DOR will capture any revenue receipts associated with these fees. Therefore no impact to cash receipts.

### **2.C – Expenditures**

Section 1 and section 2 of this bill eliminate the 30-mile battery range requirement for vehicles powered by at least one method of propulsion capable of external reenergization. Sections 1 and 2 also add a new exemption category to apply to hybrid vehicles that are powered by combination hybrid electric and gas. The assumption is that this bill will significantly increase the number of vehicle models eligible for the tax exemption, even older model hybrid vehicles will now be included. In 2022 there were over 1.4 million title transactions. Of those, less than 3% (39,000) were eligible for the current exemption based

on electrification level. The proposed legislation is estimated to increase that number to 4.5% (63,000) of the title transactions to having eligible electrification levels.

The Department of Licensing's Research and Analysis Office will require 1 FTE of a management analyst 5 to handle the estimated workload at a cost of \$148,000 annually.

#### Management Analyst 5 workload:

- Maintain and publish the required list of eligible vehicles.
  - This process takes over a week currently. A large part of it is adding new models and validation of data, which has to be done manually.
- Influence development and evolution of data integration between internal and external sources.
  - The current process may not be sustainable at scale. Available data sources will need to be evaluated and new logical integration might be needed.
- Help resolve discrepancies between various data sources.
  - When there are discrepancies between federal data and our vendor data, Research and Analysis researches the vehicle in question to obtain information needed to determine eligibility. With the eligible vehicles growing to more than double its size, there will be more inquiries, and much more time spent researching questionable models.
- Provide reporting as needed. This process should not require a change, but validation of the data will take more time.
- Support the fielding of inquiries about vehicle eligibility.
  - Mild hybrids are more common than the vehicles that currently receive the exemption. Each time a buyer or dealer requests to have a model evaluated, it creates a workload for the Research and Analysis Office. With the eligible vehicles growing to more than double its size, there will be more inquiries, and much more time spent researching questionable models.
  - Models that require correction in our system would need to be identified and hard coded to correct behavior. This is a timely and complicated process. With the eligible vehicles growing to more than double its size, there will be more inquiries, and much more time spent navigating and accommodating questionable models.

#### Information Services:

##### Assumptions:

- Process for the clean alternative fuel exemptions does not change.
- No change to fuel types that qualify.
- No change to current Purchase Price limit or Fair Market Value limits.

##### What IS Will Implement:

Remove from DRIVES the 30-mile battery range requirement for clean alternative fuel and electric vehicle sales and use tax exemption.

The agency will use appropriated funds to hire contract programmers to accomplish this work or to support current staff implementing this legislation within the required timeline. Appropriated funds may also be used to hire agency temporary staff to support permanent staff assigned to this legislative effort.

Any change requires a process to ensure changes are correctly applied to the system. This involves Project Managers that manage the team that completes the update, business analyst that documents and reviews the system changes, architect services that analyzes how the update could have an effect on other systems or DOL processes, developers who create the change, and testers and quality assurance teams that ensure the update is working correctly.

Cost Category	Description	Rate	2024	2025	2026	2027	2028	2029	Total Cost
TESTER	Test to verify individual components meet requirements; ensure that other business transactions have not been impacted.	\$ 22,620	4,500	-	-	-	-	-	4,500
BUSINESS ANALYST	Determine business requirements; translate requirements into what changes are needed to various systems including account codes, inventory codes, testing considerations, etc.	\$ 16,530	1,700	-	-	-	-	-	1,700
PROJECT MANAGER	Manage schedule and contracts	\$ 28,710	2,900	-	-	-	-	-	2,900
SECURITY AND ARCHITECT SERVICES	Create the conceptual model that defines the structure, behavior and framework of a computerized system including a breakdown of the system into components, the component interactions and interfaces (including with the environment, especially the user), and the technologies and resources to be used in the design.	\$ 16,530	1,700	-	-	-	-	-	1,700
CONTRACTED FAST DEVELOPER / TESTER	Updates to the DRIVES system will require additional vendor hours outside of the contracted maintenance to make system updates to implement this bill.	\$ 37,236	7,400	-	-	-	-	-	7,400
Trainer	Trains business partners and employees in new system processes and capabilities.	\$ 22,620	2,300	-	-	-	-	-	2,300
Project Contingency	Office of the Chief Information Officer designated rate of 10%	\$ 25,474	2,100	-	-	-	-	-	2,100
<b>Totals</b>			<b>22,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,600</b>

### Support Services:

Agency Administrative Overhead is included at a rate of 23.4 percent of the direct program costs. This funding received covers agency-wide functions such as vendor payments, contract administration, financial management, mail processing, equipment management, help desk support, and technical assistance to DOL employees.

## Part 3 – Expenditure Detail

### 3.A – Operating Budget Expenditures

Operating Expenditures	Fund	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
Highway Safety	106	171,000	149,000	320,000	298,000	298,000
<b>Account Totals</b>		<b>171,000</b>	<b>149,000</b>	<b>320,000</b>	<b>298,000</b>	<b>298,000</b>

### 3.B – Expenditures by Object or Purpose

Object of Expenditure	FY 24	FY 25	23-25 Total	25-27 Total	27-29 Total
FTE Staff Years	1.0	1.0	1.0	1.0	1.0
Salaries and Wages	92,000	92,000	184,000	184,000	184,000
Employee Benefits	30,000	30,000	60,000	60,000	60,000
Goods and Services	49,000	27,000	76,000	54,000	54,000
<b>Total By Object Type</b>	<b>171,000</b>	<b>149,000</b>	<b>320,000</b>	<b>298,000</b>	<b>298,000</b>

**3.C – FTE Detail**

<b>Staffing</b>	<b>Salary</b>	<b>FY 24</b>	<b>FY 25</b>	<b>23-25 Total</b>	<b>25-27 Total</b>	<b>27-29 Total</b>
Management Analyst 5	91,524	1.0	1.0	1.0	1.0	1.0
	<b>Total FTE</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>

**Part 4 – Capital Budget Impact**

None.

**Part 5 – New Rule Making Required**

None.