Department of Revenue Fiscal Note

Bill Number: 5406 SB	**Title:** Peridioc adjustments provisions	**Agency:** 140-Department of Revenue

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 10 - Compensating Tax	(1,460,000)	(253,000)	(1,713,000)	1,201,000	261,000
Total $	(1,460,000)	(253,000)	(1,713,000)	1,201,000	261,000

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.

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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.

SECTION 1

CURRENT LAW:
The limit on the value of surplus property a port district may sell without a resolution from the port commission is $10,000, adjusted annually by the “governmental price index” established by the Department of Revenue (department) under statute. The department no longer calculates a governmental price index because the statute was repealed in 2012. Because the statute has been repealed, the department no longer calculates a GPI and has determined that it no longer has the legal authority to update the value limit applicable to the sale of surplus port property without a resolution by the port commissior

PROPOSAL:
This section of the bill allows a port district to sell surplus port district property without a resolution by the port commission, if the property has a value of $22,000 or less.

Additionally, beginning in December 2024 and then each December thereafter, the department will adjust the maximum value annually based on the consumer price index as available on December 1 and round the new maximum value to the nearest $10.

"Consumer price index" means the consumer price index for all urban consumers, all items less food and energy, for the Seattle area as calculated by the United States Bureau of Labor Statistics or a successor agency.

EFFECTIVE DATE:
This section of the bill takes effect 90 days after final adjournment of the session in which it is enacted.

SECTION 2

CURRENT LAW:
Refinery fuel gas is valued for use tax purposes based on the most recent monthly United States natural gas wellhead spot price, as published by the federal Energy Information Administration (EIA). The EIA no longer publishes a natural gas wellhead spot price, and last published this information in December of 2012.

PROPOSAL:
This section of the bill changes the data source for the value of refinery fuel gas to the most recent monthly United States Henry Hub natural gas spot price, as published by the EIA.

EFFECTIVE DATE:
This section of the bill takes effect 90 days after final adjournment of the session in which it is enacted.

SECTION 3

CURRENT LAW:
The hazardous substance tax (HST) rate on non-petroleum hazardous substances is 0.7% of the wholesale value of the substance. Beginning July 1, 2019, the HST rate for petroleum products was set at $1.09 per barrel.

Beginning July 1, 2020, and every July 1st thereafter, the per-barrel tax rate of $1.09 increases by a percentage that equals the implicit price deflator for nonresidential structures as published by the US Department of Commerce, Bureau of Economic Analysis.

PROPOSAL:
This section of the bill clarifies the existing calculation method. Specifically, this proposal clarifies that tax rate adjustments are cumulative and permanent.

Beginning July 1, 2020, and every July 1st thereafter, the per-barrel HST rate on petroleum products adjusts by the percentage change in the implicit price deflator for nonresidential structures as published by the US Department of Commerce, Bureau of Economic Analysis.

EFFECTIVE DATE:
This section of the bill takes effect 90 days after final adjournment of the session in which it is enacted.

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.

SECTION 1

REVENUE ESTIMATES:
This section of the bill results in no revenue impact to taxes administered by the department.

SECTION 2

ASSUMPTIONS:
- This section of the bill affects five petroleum refineries located in Washington.
- Taxpayers use the current law U.S. natural gas wellhead price.
- Experience has shown that volume and price in this industry is quite volatile and difficult to forecast.
- The Henry Hub natural gas spot price was approximately 2.4% higher than the natural gas wellhead price in the last four years.
- The Henry Hub natural gas spot price forecast assumes a significant decline during the initial years covered by this estimate.
- The Henry Hub natural gas spot price mimics the declines and growth as forecasted by IHS Markit in November 2022.
- This part of this bill passes effective August 1, 2023, resulting in ten months of impact for Fiscal Year 2024.

DATA SOURCES:
- U.S. Energy Information Administration
- Economic and Revenue Forecast Council, November 2022 revenue forecast
- IHS Markit, November 2022 forecast
- Department of Revenue excise tax return data
- Department of Revenue audit information

REVENUE ESTIMATES:
This section of the bill decreases state revenues by an estimated $1.7 million in the 2023-25 Biennium and increases state revenues by an estimated $1.2 million in the 2025-27 Biennium.

State Government (cash basis, $000):

FY 2024 -	($ 1,460)
FY 2025 -	($ 253)
FY 2026 -	$ 667
FY 2027 -	$ 534
FY 2028 -	$ 367
FY 2029 -	($ 106)

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

SECTION 3

REVENUE ESTIMATES:
This section of the bill results in no revenue impact to taxes administered by the department.

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.

The Department will have minimal costs of approximately $500 per fiscal year associated with completing calculations but will absorb these costs within current funding.

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