

Department of Revenue Fiscal Note

Bill Number: 5309 SB	Title: Petroleum transportation/tax	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 35 - Public Utilities Tax	590,000	920,000	1,510,000	1,940,000	2,080,000
Total \$	590,000	920,000	1,510,000	1,940,000	2,080,000

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.9	0.3	0.6	0.1	0.1
GF-STATE-State 001-1	85,500	27,800	113,300	20,000	20,000
Total \$	85,500	27,800	113,300	20,000	20,000

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: 60-786-7438	Date: 01/17/2023
Agency Preparation: Alex Merk-Dyes	Phone: 60-534-1601	Date: 01/23/2023
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 01/23/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/23/2023

Request # 5309-1-1

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 may deduct income subject to the public utility tax (PUT) when a trip either begins or ends outside of Washington.

PROPOSAL:

This proposal would impose PUT on income derived from the in-state portions of interstate transportation of petroleum products and crude oil starting October 1, 2023.

EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session.

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:

- Growth rate mirrors the Economic and Revenue Forecast Council November 2022 forecast for public utilities.
- Percentage of total freight shipments that are petroleum products or crude oil is 10%.
- PUT charges imposed for petroleum products or crude oil are the same as other goods.
- Freight costs mirror the cost of the commodities and percent of value would increase the price of shipment.
- Most oil refineries and petroleum products terminals are located near interstate boundaries, in-state portion of interstate trips will be minimal.
- Vessels, barges, and watercraft will predominantly travel in non-Washington waters.
- The proposed tax begins October 1, 2023, and impacts eight months of collections in fiscal year 2024.

DATA SOURCES:

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, November 2022 forecast
- Department of Ecology, oil refineries in Washington
- U.S. Department of Transportation Bureau of Transportation Statistics
- U.S. Energy Information Administration

REVENUE ESTIMATES:

This bill increases state revenues by an estimated \$590,000 in the eight months of impacted collections in fiscal year 2024, and by \$920,000 in fiscal year 2025, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 590
FY 2025 -	\$ 920
FY 2026 -	\$ 950
FY 2027 -	\$ 990
FY 2028 -	\$ 1,020
FY 2029 -	\$ 1,060

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 legislation will affect 650 taxpayers who transport petroleum products or crude oil.

FIRST YEAR COSTS:

The Department of Revenue (department) will incur total costs of \$85,500 in fiscal year 2024. These costs include:

- Labor Costs - Time and effort equate to 0.88 FTE.
- Create special notice and update relevant information on the department's website.
 - Respond to tax ruling requests and email inquiries.
 - Activate taxpayer accounts that were in non-reported status or establish new accounts that will be required to report revenues.
 - Correspond with taxpayers impacted by their account change.
 - Process returns, payments and all associated work items, including issuing assessments for return errors and underpayments.
 - Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
 - Examine accounts and make corrections as necessary.

Object Costs - \$800.

- Print and mail additional notices, correspondence, and returns to taxpayers who do not file returns electronically.
- Supplies needed for scanning additional documents.

SECOND YEAR COSTS:

The department will incur total costs of \$27,800 in fiscal year 2025. These costs include:

- Labor Costs - Time and effort equate to 0.3 FTE.
- Update special notice, web pages, and publications.
 - Respond to tax ruling requests and email inquiries.
 - Process returns, payments and all associated work items, including issuing assessments for return errors and underpayments.
 - Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
 - Examine accounts and make corrections as necessary.

THIRD YEAR COSTS:

The Department will incur total costs of \$10,000 in fiscal year 2026. These costs include:

- Labor Costs - Time and effort equate to 0.1 FTE.
- Assist taxpayers with reporting questions.
 - Respond to tax ruling requests and email inquiries.

ONGOING COSTS:

Ongoing costs for fiscal year 2027 equal \$10,000 and for 2028-29 biennium equal \$20,000 and include similar activities described in the third-year costs. Time and effort equate to 0.1 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.9	0.3	0.6	0.1	0.1
A-Salaries and Wages	49,200	17,800	67,000	13,200	13,200
B-Employee Benefits	16,300	5,900	22,200	4,400	4,400
E-Goods and Other Services	14,000	3,200	17,200	1,800	1,800
J-Capital Outlays	6,000	900	6,900	600	600
Total \$	\$85,500	\$27,800	\$113,300	\$20,000	\$20,000

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
CUSTOMER SERV SP2	40,812	0.2		0.1		
EMS BAND 4	126,619	0.0		0.0		
EXCISE TAX EX 2	55,872	0.3	0.2	0.3		
EXCISE TAX EX 3	61,632	0.1		0.1		
MGMT ANALYST4	73,260	0.0		0.0		
TAX INFO SPEC 4	66,420	0.2	0.1	0.2	0.1	0.1
TAX POLICY SP 2	75,120	0.0		0.0		
TAX POLICY SP 3	85,020	0.0		0.0		
TAX POLICY SP 4	91,524	0.0		0.0		
WMS BAND 3	107,685	0.0		0.0		
Total FTEs		0.9	0.3	0.6	0.1	0.1

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

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

Should this legislation become law, the department will use the expedited rule-making process to amend WAC 458-20-13501, titled: "Timber harvest operations" and WAC 458-20-180, titled: "Motor carriers." Persons affected by this rulemaking would include interstate carriers who transport petroleum products or crude oil.



Ten-Year Analysis

Bill Number 5309 SB	Title Petroleum transportation/tax	Agency 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

Estimates

No Cash Receipts

 Partially Indeterminate Cash Receipts

 Indeterminate Cash Receipts

Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Public utility tax	001	590,000	920,000	950,000	990,000	1,020,000	1,060,000	1,100,000	1,140,000	1,180,000	1,220,000	10,170,000
Total		590,000	920,000	950,000	990,000	1,020,000	1,060,000	1,100,000	1,140,000	1,180,000	1,220,000	10,170,000
Biennial Totals		1,510,000	1,940,000	2,080,000	2,240,000	2,400,000	10,170,000					

Narrative Explanation (Required for Indeterminate Cash Receipts)

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Agency Preparation: Alex Merk-Dyes	Phone: 360-534-1601	Date: 1/23/2023 5:37:40 pm
Agency Approval: Marianne McIntosh	Phone: 360-534-1505	Date: 1/23/2023 5:37:40 pm
OFM Review:	Phone:	Date: