

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5516 SB	<b>Title:</b> Clay target sales and use tax exemption
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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	(73,000)	(73,000)	(75,000)	(85,000)	(85,000)	(87,000)	(91,000)	(91,000)	(93,000)
<b>Total \$</b>	<b>(73,000)</b>	<b>(73,000)</b>	<b>(75,000)</b>	<b>(85,000)</b>	<b>(85,000)</b>	<b>(87,000)</b>	<b>(91,000)</b>	<b>(91,000)</b>	<b>(93,000)</b>

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		(33,660)		(38,610)		(41,580)
Local Gov. Total		(33,660)		(38,610)		(41,580)

## 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	.1	34,400	34,400	34,400	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.1</b>	<b>34,400</b>	<b>34,400</b>	<b>34,400</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 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
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Final
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5516 SB	<b>Title:</b> Clay target sales and use tax exemption	<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	(33,000)	(40,000)	(73,000)	(85,000)	(91,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(1,000)	(1,000)	(2,000)	(2,000)	(2,000)
<b>Total \$</b>	(34,000)	(41,000)	(75,000)	(87,000)	(93,000)

### Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.3		0.1		
GF-STATE-State 001-1	34,400		34,400		
<b>Total \$</b>	34,400		34,400		

### 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: Alia Kennedy	Phone: 60-786-7405	Date: 01/23/2023
Agency Preparation: Diana Tibbetts	Phone: 60-534-1520	Date: 01/27/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/27/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/27/2023

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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:

Clay targets are subject to retail sales and use tax when consumed in the performance of a retail taxable service.

#### PROPOSED LAW

This legislation provides a sales and use tax exemption for sales of clay targets purchased by a nonprofit gun club for use in providing clay target shooting for a fee. The buyer must provide an exemption certificate to the seller at the time of purchase.

The new tax preference performance provisions do not apply to this bill (see section 3 of the bill).

#### EFFECTIVE DATE

The bill takes effect 90 days after final adjournment of the session in which it is enacted with a retroactive clause back to July 1, 2017.

### 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

- Effective date of July 21, 2023, which results in 10 months of impact in fiscal year 2024.
- Growth based on November 2022 retail sales forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Article VIII, section 5 of the Washington constitution does not allow a gift of public funds. The prohibition on the gifting of public funds would prevent the Department of Revenue (department) from granting refunds to those taxpayers that have validly paid sales or use taxes on the purchase of clay targets prior to the effective date of this bill.

#### DATA SOURCES

- Department of Revenue, excise tax returns
- Department of Revenue, audit information
- Economic and Revenue Forecast Council, November 2022 forecast

#### REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$34,000 in the 10 months of impacted collections in Fiscal Year 2024, and by 41,000 in Fiscal Year 2025, the first full year of impacted collections.

This bill also decreases local revenues by an estimated \$15,000 in the 10 months of impacted collections in Fiscal Year 2024, and by \$19,000 in Fiscal Year 2025, the first full year of impacted collections.

#### TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 - (\$ 34)  
FY 2025 - (\$ 41)  
FY 2026 - (\$ 43)

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FY 2027 - (\$ 44)  
 FY 2028 - (\$ 46)  
 FY 2029 - (\$ 47)

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

FY 2024 - (\$ 15)  
 FY 2025 - (\$ 19)  
 FY 2026 - (\$ 19)  
 FY 2027 - (\$ 20)  
 FY 2028 - (\$ 21)  
 FY 2029 - (\$ 21)

**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 bill affects 10-15 nonprofit gun clubs.

**FIRST YEAR COSTS:**

The department will incur total costs of \$34,400 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.28 FTEs.

- Amend two administrative rules.

- Set up, program, and test computer system changes for a new deduction added to e-file and the combined excise tax return.

- Implementation meetings, quality check and work review, and assisting in developing new deduction code.

Object Costs - \$4,400.

- Computer system changes, including contract programming.

**SECOND YEAR COSTS:**

The department will incur minimal costs in fiscal year 2025 and absorb within current funding.

**ONGOING COSTS:**

Ongoing costs for the 2025-27 biennium are minimal and the department will absorb within current funding.

**Part III: Expenditure Detail**

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.3		0.1		
A-Salaries and Wages	18,300		18,300		
B-Employee Benefits	6,100		6,100		
C-Professional Service Contracts	4,400		4,400		
E-Goods and Other Services	3,800		3,800		
J-Capital Outlays	1,800		1,800		
<b>Total \$</b>	<b>\$34,400</b>		<b>\$34,400</b>		

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

<b>Job Classification</b>	<b>Salary</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>2023-25</b>	<b>2025-27</b>	<b>2027-29</b>
EMS BAND 4	126,619	0.0		0.0		
EXCISE TAX EX 3	61,632	0.1		0.1		
MGMT ANALYST4	73,260	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		
<b>Total FTEs</b>		0.3		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**

*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 process to amend WAC 458-20-183, titled: "Recreational services and activities," and WAC 458-20-269, titled: "Waiver of public disclosure of certain new tax preferences." Persons affected by this rulemaking would include gun clubs.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5516 SB

Title: Clay target sales and use tax exemption

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

### Legislation Impacts:

- Cities: decrease in sales tax revenue
- Counties: decrease in sales tax revenue
- Special Districts: decrease in sales tax revenue
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time:

### Estimated revenue impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	(4,423)	(5,602)	(10,025)	(11,499)	(12,384)
County	(5,437)	(6,887)	(12,324)	(14,136)	(15,222)
Special District	(4,990)	(6,321)	(11,311)	(12,975)	(13,974)
<b>TOTAL \$</b>	<b>(14,850)</b>	<b>(18,810)</b>	<b>(33,660)</b>	<b>(38,610)</b>	<b>(41,580)</b>
<b>GRAND TOTAL \$</b>					<b>(113,850)</b>

### Estimated expenditure impacts to:

None

## Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 01/27/2023
Leg. Committee Contact: Alia Kennedy	Phone: 360-786-7405	Date: 01/23/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/27/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/30/2023

## Part IV: Analysis

### A. SUMMARY OF BILL

*Description of the bill with an emphasis on how it impacts local government.*

This bill provides a sales and use tax exemption for sales of clay targets purchased by a nonprofit gun club for use in providing clay target shooting for a fee. The buyer must provide an exemption certificate to the seller at the time of purchase. It would also require a refund of any tax collected on the sales of clay targets purchased by a nonprofit gun club after July 1, 2017 as outlined in the bill.

The tax preference performance provisions in RCW 82.32.805 and 82.32.808 do not apply to this exemption.

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

### B. SUMMARY OF EXPENDITURE IMPACTS

*Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.*

This bill would not impact local government expenditures because no action is required.

### C. SUMMARY OF REVENUE IMPACTS

*Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.*

According to the Department of Revenue (DOR) this bill would decrease local revenues by an estimated \$15,000 in the 10 months of impacted collections in Fiscal Year 2024, and by \$19,000 in Fiscal Year 2025, the first full year of impacted collections. Please see the DOR note for their assumptions and data sources.

#### LOCAL GOVERNMENT REVENUE IMPACT:

##### Counties:

FY 2024	-\$5,437
FY 2025	-\$6,887
FY 2026	-\$6,887
FY 2027	-\$7,249
FY 2028	-\$7,611
FY 2029	-\$7,611

##### Cities:

FY 2024	-\$4,423
FY 2025	-\$5,602
FY 2026	-\$5,602
FY 2027	-\$5,897
FY 2028	-\$6,192
FY 2029	-\$6,192

##### Special Districts:

FY 2024	-\$4,990
FY 2025	-\$6,321
FY 2026	-\$6,321
FY 2027	-\$6,654
FY 2028	-\$6,987
FY 2029	-\$6,987

#### METHODOLOGY:

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2021. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. The result is a distribution of 36.61 percent to counties, 29.78 percent to cities, and 33.61 percent to special districts. The one percent DOR administrative fee has also been deducted.

**SOURCES:**

Department of Revenue Fiscal Note, SB 5516 (2023)

Department of Revenue Local Tax Distributions (2021)

Local Government Fiscal Note program, Local Sales Tax model 2023

Local Government Fiscal Note program, Sales and Use Tax Distribution model 2023