

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1422 HB	<b>Title:</b> Reusable packing materials
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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	(18,160,000)	(18,160,000)	(18,189,000)	(21,260,000)	(21,260,000)	(21,294,000)	(23,060,000)	(23,060,000)	(23,097,000)
<b>Total \$</b>	<b>(18,160,000)</b>	<b>(18,160,000)</b>	<b>(18,189,000)</b>	<b>(21,260,000)</b>	<b>(21,260,000)</b>	<b>(21,294,000)</b>	<b>(23,060,000)</b>	<b>(23,060,000)</b>	<b>(23,097,000)</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		(8,217,000)		(9,504,001)		(10,295,999)
Local Gov. Other	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.					
Local Gov. Total		(8,217,000)		(9,504,001)		(10,295,999)

## 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	.2	54,700	54,700	54,700	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.2</b>	<b>54,700</b>	<b>54,700</b>	<b>54,700</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> 1422 HB	<b>Title:</b> Reusable packing materials	<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	(8,100,000)	(10,100,000)	(18,200,000)	(21,300,000)	(23,100,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	20,000	20,000	40,000	40,000	40,000
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(13,000)	(16,000)	(29,000)	(34,000)	(37,000)
<b>Total \$</b>	(8,093,000)	(10,096,000)	(18,189,000)	(21,294,000)	(23,097,000)

### Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5		0.2		
GF-STATE-State 001-1	54,700		54,700		
<b>Total \$</b>	54,700		54,700		

### 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: Tracey Taylor	Phone: 60-786-7152	Date: 01/18/2023
Agency Preparation: Erin Valz	Phone: 60-534-1522	Date: 02/01/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/01/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/02/2023

Request # 1422-1-1

## 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:

Retail sales, rentals, or leases of packing materials are subject to sales and use tax and retailing business and occupation (B&O) tax.

#### PROPOSAL:

This proposal excludes the sale, rental, and lease of reusable packing materials from the definition of a retail sale so long as such materials are covered by a "packing material sharing and reuse program." The proposal defines this as a system for sharing reusable packing materials involving more than one person. The exclusion applies regardless of who retains title to, or ends up in possession of, the reusable packing materials.

"Reusable packing materials" is defined as all reusable boxes, crates and pallets used to package or contain personal property.

#### EFFECTIVE DATE:

This bill takes effect on August 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:

- Based on the definition of "sale at wholesale" or "wholesale sale" (RCW 82.04.060), the sale or lease of packing materials will be taxed under the wholesaling B&O tax classification at a rate of 0.484%.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.9231%.
- Washington's portion of the total nationwide amount of packing materials mirrors Washington's portion of the United States' population.
- 50% of reusable packing material sales and leases will be part of a packing material sharing and reuse program.
- Currently, tribes with compacts receive a share of state sales and use tax and certain business and occupation taxes (RCW 43.06.523). Additionally, local governments may also receive a portion of state sales and use tax. Under this proposal the amount of revenue shared with tribes and local governments may decrease.
- There will be ten months of cash collections in Fiscal Year 2024 and twelve months thereafter.

#### DATA SOURCES:

- Economic and Revenue Forecast Council, November 2022 forecast
- Bloomberg.com
- Plasticpalletpros.com
- Logisticsmgmt.com

#### REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$8.1 million in the 10 months of impacted collections in Fiscal Year 2024, and by \$10.1 million in Fiscal Year 2025, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$3.7 million in the 10 months of impacted collections in Fiscal Year 2024, and by \$4.6 million in Fiscal Year 2025, the first full year of impacted collections.

#### TOTAL REVENUE IMPACT:

Request # 1422-1-1

State Government (cash basis, \$000):

FY 2024 - (\$ 8,093)  
FY 2025 - (\$ 10,096)  
FY 2026 - (\$ 10,497)  
FY 2027 - (\$ 10,797)  
FY 2028 - (\$ 11,298)  
FY 2029 - (\$ 11,799)

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

FY 2024 - (\$ 3,700)  
FY 2025 - (\$ 4,600)  
FY 2026 - (\$ 4,700)  
FY 2027 - (\$ 4,900)  
FY 2028 - (\$ 5,100)  
FY 2029 - (\$ 5,300)

**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 1,000 taxpayers using reusable packing materials under a packing material sharing and reuse program.
- This is a new tax preference that does not require an Annual Tax Performance Report, department tracking of the preference, or Joint Legislative Audit and Review Committee (JLARC) review.

**FIRST YEAR COSTS:**

The department will incur total costs of \$54,700 in fiscal year 2024. These costs include:

Labor Costs - Time and effort equate to 0.47 FTE.

- Create a Special Notice to inform affected taxpayers of the reporting change.
- Update or create publications in print and information on the department's website.
- Respond to tax ruling requests and email inquiries.
- Amend two administrative rules.

**SECOND YEAR COSTS:**

The department will not incur any costs in fiscal year 2025.

**ONGOING COSTS:**

There are no ongoing costs.

## Part III: Expenditure Detail

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5		0.2		
A-Salaries and Wages	33,500		33,500		
B-Employee Benefits	11,000		11,000		
E-Goods and Other Services	7,000		7,000		
J-Capital Outlays	3,200		3,200		
<b>Total \$</b>	<b>\$54,700</b>		<b>\$54,700</b>		

**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
EMS BAND 4	126,619	0.0		0.0		
EXCISE TAX EX 3	61,632	0.1		0.1		
MGMT ANALYST4	73,260	0.0		0.0		
TAX POLICY SP 2	75,120	0.3		0.2		
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>		<b>0.5</b>		<b>0.3</b>		

### 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 458-20-115, titled: "Sales of packing materials and containers" and WAC 458-20-210, titled: "Sales of tangible personal property for farming - Sales of agricultural products by farmers." Persons affected by this rulemaking would include persons who buy, rent, or lease reusable packing materials.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 1422 HB	<b>Title:</b> Reusable packing materials
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**Part I: Jurisdiction**-Location, type or status of political subdivision defines range of fiscal impacts.

**Legislation Impacts:**

- Cities: revenue loss
- Counties: revenue loss
- Special Districts: revenue loss
- 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	(1,090,956)	(1,356,323)	(2,447,279)	(2,830,588)	(3,066,470)
County	(1,341,068)	(1,667,274)	(3,008,342)	(3,479,528)	(3,769,488)
Special District	(1,230,976)	(1,530,403)	(2,761,379)	(3,193,885)	(3,460,041)
<b>TOTAL \$</b>	(3,663,000)	(4,554,000)	(8,217,000)	(9,504,001)	(10,295,999)
<b>GRAND TOTAL \$</b>	(28,017,000)				

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

**Estimated expenditure impacts to:**

None

**Part III: Preparation and Approval**

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/02/2023
Leg. Committee Contact: Tracey Taylor	Phone: 360-786-7152	Date: 01/18/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/02/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/02/2023

## Part IV: Analysis

### A. SUMMARY OF BILL

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

This bill provides clarification on what types of reusable packing materials are exempt from sales and use tax by excluding all reusable packing materials that are covered by a packing material sharing and reuse program.

"Packing material sharing and reuse program" means a system for sharing reusable packing materials involving more than one person. "Reusable packing materials" means all reusable boxes, crates, or pallets used to package or contain personal property.

This bill takes effect August 1, 2023.

### 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 will not impact local government expenditures.

### 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 Dept. of Revenue fiscal note, this bill decreases local revenues by an estimated \$3.7 million in the 10 months of impacted collections in Fiscal Year 2024, and by \$4.6 million in Fiscal Year 2025, the first full year of impacted collections.

DOR assumes local revenue estimates use the statewide average local sales and use tax rate of 2.9231%.

Currently, tribes with compacts receive a share of state sales and use tax and certain business and occupation taxes (RCW 43.06.523). Additionally, local governments may also receive a portion of state sales and use tax. Under this proposal, the amount of revenue shared with tribes and local governments may decrease. Therefore, it is indeterminate what the final revenue impacts for local governments are.

#### LOCAL GOVERNMENTS (DOR totals)

FY 2024 - (\$ 3,700,000)  
FY 2025 - (\$ 4,600,000)  
FY 2026 - (\$ 4,700,000)  
FY 2027 - (\$ 4,900,000)  
FY 2028 - (\$ 5,100,000)  
FY 2029 - (\$ 5,300,000)

#### METHODOLOGY

The distributions 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.

#### COUNTIES

FY 2024 -\$1,341,068  
FY 2025 -\$1,667,274  
FY 2026 -\$1,703,519  
FY 2027 -\$1,776,009

FY 2028 -\$1,848,499  
FY 2029 -\$1,920,989

CITIES

FY 2024 -\$1,090,956  
FY 2025 -\$1,356,323  
FY 2026 -\$1,385,809  
FY 2027 -\$1,444,779  
FY 2028 -\$1,503,750  
FY 2029 -\$1,562,720

SPECIAL DISTRICTS

FY 2024 -\$1,230,976  
FY 2025 -\$1,530,403  
FY 2026 -\$1,563,673  
FY 2027 -\$1,630,212  
FY 2028 -\$1,696,751  
FY 2029 -\$1,763,290

SOURCES

Department of Revenue Fiscal Note  
Department of Revenue Local Tax Distributions