

Department of Revenue Fiscal Note

Bill Number: 1742 HB	Title: Nontax statutes/DOR	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 06 - Transfers 22 - Operating Trans Out	13,750,000	14,400,000	28,150,000	29,825,000	30,050,000
Business License Account-State 02 - Lic., Permits & Fees 92 - Business License Fee	(710,000)	(760,000)	(1,470,000)	(1,470,000)	(1,430,000)
Total \$	13,040,000	13,640,000	26,680,000	28,355,000	28,620,000

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.5	0.5	0.5	0.5	0.5
Unclaimed Personal Property Account-State 196-1	41,000	36,900	77,900	73,800	73,800
Total \$	41,000	36,900	77,900	73,800	73,800

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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Request # 1742-1-1

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.

SECTION 1

CURRENT LAW:

All business licenses must be renewed by the expiration date assigned to their license. To encourage timely renewal by applicants, a business license delinquency fee is imposed by the Department of Revenue (department) on licensees who fail to renew by the business license expiration date. The business license delinquency fee must be the lesser of \$150 or 50% of a base comprised of the licensee's renewal fee minus corporate licensing taxes, corporation annual report fee, and any interest fees or penalties charged for late taxes or corporate renewals. The business license delinquency fee must be added to the renewal fee and paid by the licensee before a business license is renewed. The delinquency fee must be deposited in the business license account. The department must waive or cancel the business license delinquency fee if the department determines that the licensee failed to renew a license by the business license expiration date due to an undisputable error or failure by the department.

PROPOSAL:

The department must waive the delinquency fee if the licensee requests the waiver and has timely renewed all business licenses and paid the applicable business license fees for a period of 24 months immediately preceding the period covered by the renewal application for which the waiver is being requested.

EFFECTIVE DATE:

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

SECTIONS 2, 3, 4, 5, 6, 7, 8 AND 10

CURRENT LAW:

This current law description applies to all sections concerning unclaimed property.

Unclaimed property refers to property being held by an organization that has not had contact with the owner for an extended period of time.

Typical unclaimed property includes:

- Bank accounts
- Insurance proceeds
- Stocks, bonds, and mutual funds
- Safe deposit box contents
- Utility and phone company deposits
- Uncashed checks, such as payroll, insurance payments, or travelers' checks

Unclaimed property does not include real estate, vehicles, and most other physical property.

The department administers an unclaimed property program to seek the rightful owners of unclaimed property.

Holders must generally report and pay over unclaimed property to the department.

In 2022, ESSB 5531 repealed the Uniform Unclaimed Property Act (chapter 63.29 RCW) and replaced it, in part, with the

Revised Uniform Unclaimed Property Act (RUUPA) adopted by the Uniform Law Commission in 2016. The Act is codified under chapter 63.30 RCW and becomes effective January 1, 2023.

PROPOSAL:

These sections of the bill:

- Remove references to the repealed Uniform Unclaimed Property Act statutes enacted under ESSB 5531 and correct references to reflect the appropriate RCW numbers under chapter 63.30 RCW.
- Add abandonment periods for certain property types to chapter 63.30 RCW to align with corresponding abandonment periods and property types referenced in other RCWs.

EFFECTIVE DATE:

These sections of the bill take effect January 1, 2023.

SECTION 9

CURRENT LAW:

The department has the authority to waive a late penalty and an assessment penalty for unclaimed property (UCP) reports and assessments if the failure to deliver or pay property timely was the result of circumstances beyond the holder's control.

PROPOSAL:

This section of the bill expands the department's authority to waive a late penalty and an assessment penalty for UCP reports and assessments if the holder has timely filed all required UCP reports and delivered or paid the property associated with those reports for the immediately preceding 24 months.

EFFECTIVE DATE:

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

SECTION 11

CURRENT LAW:

Through December 31, 2022, the department has statutory authority to enter into settlement agreements with holders of unclaimed property.

Effective January 1, 2023, the department will not have express statutory authority to enter into settlement agreements with holders of unclaimed property.

PROPOSAL:

This section of the bill authorizes the department to enter into settlement agreements with holders of unclaimed property. This provision was inadvertently omitted in the RUUPA.

EFFECTIVE DATE:

This section of the bill takes effect on January 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.

SECTION 1

ASSUMPTIONS:

- Projected negative growth rate from the Master License Fund in the November 2022 non-general fund forecast.
- An estimated 70% of delinquent filers will qualify for the fee waiver.
- The average delinquent renewal fee waived is approximately \$42.
- This part of the bill takes effect August 1, 2023, and impacts 11 months of collections in Fiscal Year 2024.

DATA SOURCES:

- Department, Business Licensing Services data
- Department, November 2022 non-general fund forecast

REVENUE ESTIMATES:

State Government (cash basis, \$000):

- FY 2024 - (\$ 710)
- FY 2025 - (\$ 760)
- FY 2026 - (\$ 740)
- FY 2027 - (\$ 730)
- FY 2028 - (\$ 720)
- FY 2029 - (\$ 710)

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

SECTIONS 2, 3, 4, 5, 6, 7, 8 AND 10

REVENUE ESTIMATES:

These sections of this bill result in no revenue impact to taxes administered by the department.

SECTION 9

ASSUMPTIONS:

- The percentage of businesses qualifying for a 24-month penalty waiver will range from 20% to 60%.
- The first UCP report due after the effective date of January 1, 2023, is October 31, 2023. Requests for the 24-month penalty waivers will begin in Fiscal Year 2024.

DATA SOURCES:

Department, Unclaimed Property Program

REVENUE ESTIMATES:

State Government (cash basis, \$000):

- FY 2024 - (\$ 2,250)
- FY 2025 - (\$ 1,600)
- FY 2026 - (\$ 1,275)

FY 2027 - (\$ 900)
FY 2028 - (\$ 950)
FY 2029 - (\$ 1,000)

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

SECTION 11

ASSUMPTIONS:

Without the express authority to enter into agreements, the department may be excluded from audits conducted by our contract auditors. Unclaimed property audits use resolution agreements to come to terms with holders regarding the audit. Under the newly enacted RCW 63.30, the Unclaimed Property Program does not have the authority to enter into agreements.

If the department is not able to enter into agreements, this would have a substantial negative impact on the ability of audit vendors to conduct and resolve unclaimed property examinations. The agreements are used to resolve significant disputes with holders concerning, among other things:

- The authority of the department to conduct certain examinations,
- The conditions under which property should be presumed to be unclaimed, and
- The information that is required to be produced during an examination.

The inability to enter into such agreements could prevent some examinations from moving forward absent litigation, prevent certain property from being remitted to the state, and may delay the time it takes to complete an examination and have property reported to the department.

The department has obtained data from our audit vendors and over the last five fiscal years, we have received over \$93 million in property from settlement agreements.

- The lowest year resulted in \$13 million, and the highest year resulted in \$29 million, with an average of approximately \$18 million per fiscal year.
- Without the settlement authority the department assumes only 10% of the property, or approximately \$2 million per fiscal year, would be reported to the department.
- If the department's express statutory authority to enter into agreements with holders of unclaimed property is restored, it is expected that the unclaimed property will continue to be collected by contract auditors in amounts similar to the average for the last five years. This would generate, on average, \$16 million per fiscal year.

DATA SOURCES:

Department, Unclaimed Property Program
Contract auditor data

REVENUE ESTIMATES:

State Government (cash basis, \$000):

FY 2024 - \$ 16,000
FY 2025 - \$ 16,000

FY 2026 - \$ 16,000
FY 2027 - \$ 16,000
FY 2028 - \$ 16,000
FY 2029 - \$ 16,000

TOTAL REVENUE ESTIMATES (ALL SECTIONS):

This bill increases state revenues by an estimated \$26.7 million in the 2023-25 Biennium and by \$28.4 million in the 2025-27 Biennium.

TOTAL REVENUE IMPACT (ALL SECTIONS):

State Government (cash basis, \$000):

FY 2024 - \$ 13,040
FY 2025 - \$ 13,640
FY 2026 - \$ 13,985
FY 2027 - \$ 14,370
FY 2028 - \$ 14,330
FY 2029 - \$ 14,290

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.

INITIAL COSTS:

The department will incur total costs of \$7,400 in Fiscal Year 2023 for labor costs equating to 0.08 FTEs to adopt two new administrative rules. However, the department will absorb these costs within current funding.

FIRST YEAR COSTS:

The department will incur total costs of \$41,000 in Fiscal Year 2024. These costs include:

Labor Costs - Time and effort equate to 0.5 FTEs.

- Process waiver work items; assist holders with questions; and respond to inquiries via email, web messages, and paper correspondence.

SECOND YEAR COSTS:

The department will incur total costs of \$36,900 in Fiscal Year 2025. These costs include:

Labor Costs – Time and effort equate to 0.5 FTEs.

- Process waiver work items; assist holders with questions; and respond to inquiries via email, web messages, and paper correspondence.

ONGOING COSTS:

Ongoing costs for the 2025-27 Biennium equal \$73,800 and include similar activities described in the second-year costs. Time and effort equate to 0.5 FTEs.

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	0.5	0.5	0.5	0.5
A-Salaries and Wages	22,400	22,400	44,800	44,800	44,800
B-Employee Benefits	7,400	7,400	14,800	14,800	14,800
E-Goods and Other Services	7,700	5,500	13,200	11,000	11,000
J-Capital Outlays	3,500	1,600	5,100	3,200	3,200
Total \$	\$41,000	\$36,900	\$77,900	\$73,800	\$73,800

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
EXCISE TAX EX 1	44,808	0.5	0.5	0.5	0.5	0.5
Total FTEs		0.5	0.5	0.5	0.5	0.5

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 adopt WAC 458-02-200, titled: "Business licensing service-Applications, licenses, renewals-Fees," and WAC 458-65A-10001, titled: "Brief adjudicative proceedings for matters related to penalties and interest imposed under the Uniform Unclaimed Property Act, chapter 63.29 RCW." Persons affected by this rulemaking would include persons involved in the waiver process for the business licensing service delinquent fee and abandoned property holders (unclaimed property).