

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5166 SB	<b>Title:</b> Cooperative finance org. B&O
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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	(347,000)	(404,000)	(404,000)	(360,000)	(420,000)	(420,000)	(360,000)	(420,000)	(420,000)
<b>Total \$</b>	<b>(347,000)</b>	<b>(404,000)</b>	<b>(404,000)</b>	<b>(360,000)</b>	<b>(420,000)</b>	<b>(420,000)</b>	<b>(360,000)</b>	<b>(420,000)</b>	<b>(420,000)</b>

## 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
Joint Legislative Audit and Review Committee	.1	13,300	13,300	13,300	.0	0	0	0	.0	0	0	0
Department of Revenue	.1	30,700	30,700	30,700	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.2</b>	<b>44,000</b>	<b>44,000</b>	<b>44,000</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
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
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 2/13/2023
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5166 SB	<b>Title:</b> Cooperative finance org. B&O	<b>Agency:</b> 014-Joint Legislative Audit and Review Committee
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.0	0.1	0.0	0.0
<b>Account</b>					
General Fund-State 001-1	13,300	0	13,300	0	0
<b>Total \$</b>	13,300	0	13,300	0	0

### 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: Clinton McCarthy	Phone: 360-786-7319	Date: 01/07/2023
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 01/10/2023
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 01/10/2023
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 01/25/2023

## 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.*

The bill creates a new B&O tax preference for certain amounts received by cooperative finance organizations. A prior preference, RCW 82.04.43394, expired effective July 1, 2017.

#### TAX PERFORMANCE STATEMENT DETAILS

Section 1 is the tax preference performance statement that categorizes the new preference as one intended to provide tax relief to certain businesses and individuals, as indicated in RCW 82.32.808(2)(e).

The Legislature's specific public policy objective is to reduce the tax burden on individuals and businesses imposed by the existing B&O tax rates.

If a review finds that at least one cooperative finance organization in Washington used the deduction, then the Legislature intends to extend the expiration date.

#### TAX PREFERENCE DETAILS

Section 2 adds a new section to chapter 82.04 RCW, creating a new B&O tax deduction for amounts received by a cooperative finance organization when they are derived from loans to rural electric cooperatives or other nonprofit or governmental providers of utility services.

Terms used in this section are defined. The section is scheduled to expire January 1, 2034.

Section 3 is an emergency clause establishing the effective date as July 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.*

### 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.*

Immediately after the 2023 legislative session, JLARC staff would contact the Department of Revenue to ensure that details necessary for a future study will be collected and available.

The expenditure detail noted reflects work conducted to prepare for the future review, which is assumed to be completed in 2031.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2023 legislative session.

This audit will require an estimated 1 audit month.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2021-23 costs are calculated at approximately \$22,100 per audit month.

**Part III: Expenditure Detail**

**III. A - Operating Budget Expenditures**

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	13,300	0	13,300	0	0
<b>Total \$</b>			13,300	0	13,300	0	0

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.1		
A-Salaries and Wages	8,600		8,600		
B-Employee Benefits	2,700		2,700		
C-Professional Service Contracts					
E-Goods and Other Services	1,800		1,800		
G-Travel	200		200		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	13,300	0	13,300	0	0

**III. C - Operating FTE Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Research Analyst	126,694	0.1		0.1		
Support staff	89,671					
<b>Total FTEs</b>		0.1		0.1		0.0

**III. D - 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

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

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.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5166 SB	<b>Title:</b> Cooperative finance org. B&O	<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 05 - Bus and Occup Tax	(167,000)	(180,000)	(347,000)	(360,000)	(360,000)
Workforce Education Investment Account-State 01 - Taxes 05 - Bus and Occup Tax	(27,000)	(30,000)	(57,000)	(60,000)	(60,000)
<b>Total \$</b>	(194,000)	(210,000)	(404,000)	(420,000)	(420,000)

### 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	30,700		30,700		
<b>Total \$</b>	30,700		30,700		

### 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: Clinton McCarthy	Phone: 60-786-7319	Date: 01/07/2023
Agency Preparation: Melissa Howes	Phone: 60-534-1518	Date: 01/13/2023
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 01/13/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/13/2023

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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:

There is no deduction available for cooperative finance organizations. A similar deduction previously existed but expired July 1, 2017.

#### PROPOSAL:

This bill creates a business and occupation (B&O) tax deduction for amounts received by cooperative finance organizations where the amounts are derived from loans to rural electric cooperatives or other non-profit or governmental providers of utility services organized under Washington's laws.

A cooperative finance organization means a non-profit organization with the primary purpose of providing, securing, or otherwise arranging financing for rural electric cooperatives.

A rural electric cooperative means a non-profit customer-owned organization that provides utility services to rural areas.

The B&O tax deduction expires January 1, 2034.

#### EFFECTIVE DATE:

This bill takes effect on July 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

- Only one taxpayer qualifies for this deduction. The taxpayer had no significant growth in gross or taxable revenue, so this estimate assumes no growth through January 1, 2034.
- The revenue estimate assumes 96.4% of Service and Other Activities B&O income reported to the department is derived from loans to rural electric cooperatives or other non-profit or governmental providers of utility services.
- This legislation takes effect July 1, 2023, and impacts 11 months of collections in fiscal year 2024.

#### DATA SOURCES

- Department of Revenue excise tax return data

#### REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$194,000 in the 11 months of impacted collections in fiscal year 2024, and by \$210,000 in fiscal year 2025, the first full year of impacted collections.

#### TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	(\$ 194)
FY 2025 -	(\$ 210)
FY 2026 -	(\$ 210)
FY 2027 -	(\$ 210)
FY 2028 -	(\$ 210)

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FY 2029 - (\$ 210)

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 one taxpayer that qualifies as a cooperative finance organization.

**FIRST YEAR COSTS:**

The department will incur total costs of \$30,700 in fiscal year 2024. These costs include:

Labor Costs - Time and effort equate to 0.27 FTE.

- Test and verify computer system changes to create a new business and occupation tax deduction.
- Respond to additional telephone questions, email, and written correspondence.
- Examine accounts and make corrections as necessary.

Object Costs - \$4,400.

- Contract computer system programming.

**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	0.3		0.1		
A-Salaries and Wages	15,900		15,900		
B-Employee Benefits	5,300		5,300		
C-Professional Service Contracts	4,400		4,400		
E-Goods and Other Services	3,500		3,500		
J-Capital Outlays	1,600		1,600		
<b>Total \$</b>	<b>\$30,700</b>		<b>\$30,700</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	0.1		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>		<b>0.3</b>		<b>0.2</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 rulemaking process to amend WAC 458-20-146, titled: "National and state banks, mutual savings banks, savings and loan associations and other financial institutions." Persons affected by this rulemaking would include cooperative finance organizations.