

Multiple Agency Fiscal Note Summary

Bill Number: 5277 SB	Title: Dairy, etc. tax preferences
-----------------------------	---

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	0	0	0	(13,600,000)	(13,600,000)	(13,600,000)	(14,800,000)	(14,800,000)	(14,800,000)
Total \$	0	0	0	(13,600,000)	(13,600,000)	(13,600,000)	(14,800,000)	(14,800,000)	(14,800,000)

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	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	.2	67,100	67,100	67,100	.1	22,400	22,400	22,400	.0	0	0	0
Department of Agriculture	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	0.2	67,100	67,100	67,100	0.1	22,400	22,400	22,400	0.0	0	0	0

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
Department of Agriculture	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM

Phone:
(360) 584-2207

Date Published:
Final 2/13/2023

Individual State Agency Fiscal Note

Bill Number: 5277 SB	Title: Dairy, etc. tax preferences	Agency: 014-Joint Legislative Audit and Review Committee
-----------------------------	---	---

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

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: Delika Steele	Phone: 3607867486	Date: 01/12/2023
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 01/17/2023
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 01/17/2023
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.

This bill extends the expiration dates for B&O tax preferences for dairy, fruit and vegetable, and seafood processors.

TAX PERFORMANCE STATEMENT DETAILS

Section 1 is a new section providing a tax preference performance statement that categorizes the preferences as intended to create and retain jobs and provide tax relief, as indicated under RCW 82.32.808(2)(c) and (e).

The specific public policy objective is stated to create and retain jobs and continue to provide tax relief to the food processing industry.

JLARC is to measure the effectiveness of the preferences in achieving the public policy objectives by evaluating:

- a. The number of businesses claiming the preferences.
- b. The change in total taxable income for taxpayers claiming the preferences.
- c. The change in total employment for taxpayers claiming the preferences.
- d. For each calendar year, the total amount of preference claimed as a percentage of total taxable income for the taxpayers within taxable income categories.

JLARC staff should use information from the annual Tax Preference Performance Report, Department of Revenue tax data, Employment Security Department and any other data available to inform the evaluation.

TAX PREFERENCE DETAILS

SECTION 2 amends RCW 82.04.4268 to extend the current B&O tax deduction for manufacturing dairy products and sales made to purchasers for transport outside the state until July 1, 2035. Section 2(1)(b) extends the expiration date for the B&O deduction for sales of products to purchasers who use dairy products as an ingredient or component in manufacturing a dairy product until July 1, 2025.

SECTIONS 3 and 4 amend RCWs 82.04.4266 and 82.04.4269 to extend the expiration dates for the current B&O tax deductions for manufacturing fruit and vegetable or seafood products or sales of those products made to purchasers for transport outside the state until July 1, 2035.

SECTION 5 amends RCW 82.04.260 to extend the start dates for preferential 0.138% B&O tax rates to July 1, 2035, for the following:

- 1(b) for seafood product manufacturing and certain sales.
- 1(c)(i) for dairy product manufacturing and certain sales.
- 1(d) for fruits and vegetables manufacturing and certain sales.

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.

These tax preferences are already in JLARC future study work plan. No additional expenditures would be incurred if this bill was enacted.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

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

Bill Number: 5277 SB	Title: Dairy, etc. tax preferences	Agency: 140-Department of Revenue
-----------------------------	---	--

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				(13,600,000)	(14,800,000)
Total \$				(13,600,000)	(14,800,000)

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.3	0.2	0.2	0.1	
Account					
GF-STATE-State 001-1	44,700	22,400	67,100	22,400	
Total \$	44,700	22,400	67,100	22,400	

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: Delika Steele	Phone: 607867486	Date: 01/12/2023
Agency Preparation: Diana Tibbetts	Phone: 60-534-1520	Date: 01/20/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/20/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/20/2023

Request # 5277-1-1

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:

Business and Occupation (B&O) tax exemptions for dairy, fruit and vegetable, and seafood manufacturers expire July 1, 2025.

Dairy, fruit and vegetable, and seafood manufacturers have preferential tax rates that take effect July 1, 2025. These preferential rates expire January 1, 2036.

PROPOSAL:

This legislation extends the B&O tax exemptions for dairy, fruit and vegetable, and seafood manufacturers to July 1, 2035.

This legislation also extends the effective date of the dairy, fruit and vegetable, and seafood manufacturing preferential B&O tax rates to July 1, 2035, and the expiration date to January 1, 2046.

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

- Impact estimated at 0.138% preferential B&O tax rate, currently set to take effect July 1, 2025.
- No growth due to consistent incentive amounts reported by dairy, fruit and vegetable, and seafood manufacturers for the past 5 years.
- This legislation passes effective July 21, 2023. The current exemption currently remains effective through June 30, 2025. This bill results in no revenue impact in fiscal years 2024 and fiscal year 2025.

DATA SOURCES

- Department of Revenue (department), annual tax performance reports

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$6.2 million in the 10 months of impacted collections in fiscal year 2026.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	\$ 0
FY 2026 -	(\$ 6,200)
FY 2027 -	(\$ 7,400)
FY 2028 -	(\$ 7,400)
FY 2029 -	(\$ 7,400)

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

Request # 5277-1-1

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 300 dairy product manufacturers, fruit and vegetable processors, and seafood processors.

FIRST YEAR COSTS:

The department will incur total costs of \$44,700 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 extending deductions and effective dates for preferential tax rates.
- Implementation meetings, updating procedures and documentation.
- Conduct account reviews, answer phone calls, and help with tax return preparation.

Object Costs - \$13,200.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$22,400 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.2 FTEs.

- Ongoing programming and testing of computer system changes for extending deductions and effective dates for preferential tax rates.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$22,400 and include similar activities described in the second-year costs. Time and effort equate to 0.1 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	0.3	0.2	0.2	0.1	
A-Salaries and Wages	19,500	14,700	34,200	14,700	
B-Employee Benefits	6,400	4,800	11,200	4,800	
C-Professional Service Contracts	13,200		13,200		
E-Goods and Other Services	3,800	2,300	6,100	2,300	
J-Capital Outlays	1,800	600	2,400	600	
Total \$	\$44,700	\$22,400	\$67,100	\$22,400	

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		
MGMT ANALYST4	73,260	0.2	0.2	0.2	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		0.3	0.2	0.3	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 process to amend WAC 458-20-176, titled: "Passenger fishing-Diesel fuel." The department will also use the expedited process to amend 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 businesses that currently receive the preferential tax rate.

Individual State Agency Fiscal Note

Bill Number: 5277 SB	Title: Dairy, etc. tax preferences	Agency: 495-Department of Agriculture
-----------------------------	---	--

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

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: Delika Steele	Phone: 3607867486	Date: 01/12/2023
Agency Preparation: Kelly McLain	Phone: 360-902-1945	Date: 01/17/2023
Agency Approval: Nicholas Johnson	Phone: (360) 902-2055	Date: 01/17/2023
OFM Review: Matthew Hunter	Phone: (360) 529-7078	Date: 01/17/2023

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.

Senate Bill 5277 relating to extending tax preferences for dairy, fruit and vegetable, and seafood processors. the tax preferences is intended to create or retain jobs and provide tax relief for certain businesses or individuals and food processing industry.

No fiscal impact to the Washington State Department of Agriculture (WSDA).

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.

The proposed legislation has no cash receipts impact on WSDA.

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.

The proposed legislation has no expenditures impact on WSDA.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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

NONE

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.