

Multiple Agency Fiscal Note Summary

Bill Number: 5395 SB	Title: Real estate technology fee
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Estimated Cash Receipts

NONE

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		258,000		445,000		630,000
Local Gov. Total		258,000		445,000		630,000

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
Department of Commerce	Fiscal note not available											
Department of Revenue	.5	132,300	132,300	132,300	.0	0	0	0	.1	29,400	29,400	29,400
Total \$	0.5	132,300	132,300	132,300	0.0	0	0	0	0.1	29,400	29,400	29,400

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Commerce	Fiscal note not available								
Department of Revenue	.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

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Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Preliminary 2/13/2023
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Department of Revenue Fiscal Note

Bill Number: 5395 SB	Title: Real estate technology fee	Agency: 140-Department of Revenue
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.1		0.5		0.1
Account					
GF-STATE-State 001-1	132,300		132,300		29,400
Total \$	132,300		132,300		29,400

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:

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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.

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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.

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Requires new rule making, complete Part V.

Legislative Contact: Jeffrey Mitchell	Phone: (603) 60-786-7438	Date: 01/17/2023
Agency Preparation: Beth Leech	Phone: (603) 60-534-1513	Date: 01/22/2023
Agency Approval: Valerie Torres	Phone: (603) 60-534-1521	Date: 01/22/2023
OFM Review: Cheri Keller	Phone: (603) 60-584-2207	Date: 01/23/2023

Request # 5395-1-1

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:

There is a \$5 technology fee on all real estate excise tax (REET) transactions, regardless of whether the transaction requires the payment of tax.

PROPOSAL:

Starting January 1, 2024, the REET technology fee increases to \$7.05. In fiscal year 2027 and every fourth year thereafter, the Department of Revenue (department) must adjust the fee to reflect the growth of the consumer price index. The department must publish the updated fee by September 1, 2026, and September 1st of every fourth year thereafter. The updated fee amount applies beginning January 1, 2027, and January 1st every fourth year thereafter.

The adjusted fee amount must be rounded to the nearest five cents. The most recent fee amount becomes the base for subsequent fee adjustments.

Consumer price index means the most current seasonally adjusted index for the shelter expenditure category of the consumer price index for all urban consumers as published by July 31st by the Bureau of Labor Statistics of the U.S. Department of Labor.

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

- Growth mirrors the growth of REET in the Economic and Revenue Forecast Council's November 2022 forecast.
- The percent change in the CPI-U for shelter between July 2023 and July 2026 is 7.3%.
- The fee rate will be \$7.55 starting January 1, 2027.
- This legislation passes effective July 21, 2023.

DATA SOURCES

- Non-General Fund Forecast, November 2022.
- Economic and Revenue Forecast Council, November 2022 forecast.
- IHS Markit Forecast, November 2022.
- Bureau of Labor Statistics, CPI-U for shelter.

REVENUE ESTIMATES

This bill results in no revenue impact to taxes administered by the department.

This bill increases local revenues by an estimated \$68,000 in the 5 months of impacted collections in fiscal year 2024, and by \$190,000 in fiscal year 2025, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000): None

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

FY 2024 - \$ 68
FY 2025 - \$ 190
FY 2026 - \$ 199
FY 2027 - \$ 246
FY 2028 - \$ 302
FY 2029 - \$ 328

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.

FIRST YEAR COSTS:

The department will incur total costs of \$132,300 in fiscal year 2024. These costs include:

- Labor Costs - Time and effort equate to 1.08 FTEs.
- Amend two administrative rules.
 - Set up, program, and test computer system changes.
 - Reconfigure the REET affidavit and test forms.

Object Costs - \$4,400.

- Contract computer system programming.

SECOND YEAR COSTS:

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

ONGOING COSTS:

The department will not incur any costs for the 2025-27 biennium. Ongoing costs for the 2027-29 biennium equal \$29,400 and include similar activities described in the first-year costs. Time and effort equate to 0.13 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.1		0.5		0.1
A-Salaries and Wages	74,200		74,200		15,400
B-Employee Benefits	24,500		24,500		5,100
C-Professional Service Contracts	4,400		4,400		4,400
E-Goods and Other Services	16,800		16,800		2,800
G-Travel	3,500		3,500		900
J-Capital Outlays	8,900		8,900		800
Total \$	\$132,300		\$132,300		\$29,400

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		
EXCISE TAX EX 3	61,632	0.5		0.3		0.1
MGMT ANALYST4	73,260	0.3		0.1		
MGMT ANALYST5	80,952	0.3		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		1.1		0.6		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 458-61A-1001, titled: "Graduated real estate excise tax rates - Exceptions to graduated rates - Tax avoidance" and WAC 458-61A-102, titled: "Definitions." Persons affected by this rulemaking would include payer and filers of real estate excise tax and counties administering the tax.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5395 SB	Title: Real estate technology fee
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☐ Cities:
- ☒ Counties: Increased county assessor revenue due to increased real estate excise tax transaction fees
- ☐ Special Districts:
- ☐ 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
County	68,000	190,000	258,000	445,000	630,000
TOTAL \$	68,000	190,000	258,000	445,000	630,000
GRAND TOTAL \$	1,333,000				

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 01/23/2023
Leg. Committee Contact: Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/17/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/23/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 01/23/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill will increase the \$5 technology fee on real estate excise tax (REET) transactions to \$7.05 starting January 1, 2024. The fee must be adjusted by the Dept. of Revenue every four years to reflect the consumer price index. The consumer price index is defined.

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 will increase local government (county assessor) revenue by an estimated \$68,000 in the 5 months of impacted collections in fiscal year 2024, and by \$190,000 in fiscal year 2025, the first full year of impacted collections.

According to the DOR 2019 Tax Reference Manual, county assessors receive REET transaction fee revenue.

FY 2024 -	\$ 68,000
FY 2025 -	\$ 190,000
FY 2026 -	\$ 199,000
FY 2027 -	\$ 246,000
FY 2028 -	\$ 302,000
FY 2029 -	\$ 328,000

SOURCES

Dept. of Revenue Fiscal Note
DOR 2019 Tax Reference Manual