

Department of Revenue Fiscal Note

Bill Number: 1604 HB	Title: Custom farming/B&O tax	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated 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.

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Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/16/2023
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Request # 1604-1-1

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:

In 2007, the Legislature enacted a B&O tax exemption for farmers who provide custom farming services to other farmers. The exemption expired December 31, 2020. In 2022, the Legislature reinstated the B&O tax exemption effective July 1, 2022, which is codified at RCW 82.04.758.

PROPOSAL:

This legislation retroactively extends the existing B&O tax exemption for custom farming services provided during the period January 1, 2021, through June 30, 2022. The bill does not allow for a refund of B&O tax paid on custom farming services provided during this time period. Rather, the bill authorizes a credit against future B&O tax liability for any B&O taxes paid that would not have been owed had the custom farming exemption not expired.

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:

- Each fiscal year, three to four taxpayers benefitted from the B&O tax exemption for custom farming before it expired.
- The average annual taxpayer savings was \$10,000 for the three fiscal years before the exemption expired.
- Article VIII, section 5 of the Washington constitution does not allow a gift of public funds. The Department of Revenue (department) believes that the prohibition against the gifting of public funds prevents it from granting B&O tax credits to those taxpayers that have properly paid B&O tax for custom farming services rendered after December 30, 2020, and before July 1, 2022. [See Seattle-King County Council of Camp Fire v. Dep't. of Revenue, 105 Wn.2d 55 (1985); City of Yakima v. Huza, 67 Wn.2d 351, 407 P.2d 815 (1965)].

DATA SOURCES:

- Department of Revenue, Excise tax data

REVENUE ESTIMATES:

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

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:

No credits will be granted for taxes previously paid.

The department will not incur any costs as we are unable to implement this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

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

NONE

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