

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5309 E SB	<b>Title:</b> Petroleum transportation/tax	<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 35 - Public Utilities Tax	590,000	920,000	1,510,000	1,940,000	2,080,000
<b>Total \$</b>	590,000	920,000	1,510,000	1,940,000	2,080,000

### Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.9	0.3	0.6	0.1	0.1
GF-STATE-State 001-1	87,600	29,100	116,700	22,600	22,600
<b>Total \$</b>	87,600	29,100	116,700	22,600	22,600

### 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:	Phone:	Date: 03/03/2023
Agency Preparation: Alex Merk-Dyes	Phone: 60-534-1601	Date: 03/08/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 03/08/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/08/2023

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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.*

Note: This fiscal note reflects language in E SB 5309, 2023 Legislative Session.

#### COMPARISION OF ENGROSSED SENATE BILL WITH ORIGINAL BILL:

The engrossed senate bill adds the definition of "packaged for sale to ultimate consumers" and a requirement to apportion gross income of transporting petroleum products or crude oil based on revenue within and outside of Washington.

#### CURRENT LAW:

Businesses may deduct income subject to the public utility (PU) tax when a trip either begins or ends outside of Washington

#### PROPOSAL:

This proposal would impose PU tax on income derived from the in-state portions of interstate transportation of petroleum products and crude oil starting October 1, 2023.

#### 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 Economic and Revenue Forecast Council November 2022 forecast for public utilities.
- Petroleum products or crude oil represent 10% of freight shipments.
- PU tax charges imposed for petroleum products or crude oil are the same as other goods.
- Freight costs mirror the cost of the commodities and percent of value would increase the price of shipment.
- Most oil refineries and petroleum products terminals are located near interstate boundaries, in-state portion of interstate trips will be minimal.
- Vessels, barges, and watercraft will predominantly travel in non-Washington waters.
- The proposed tax begins October 1, 2023, and impacts eight months of collections in fiscal year 2024.

#### DATA SOURCES:

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, November 2022 forecast
- Department of Ecology, oil refineries in Washington
- U.S. Department of Transportation Bureau of Transportation Statistics
- U.S. Energy Information Administration

#### REVENUE ESTIMATES:

This bill increases state revenues by an estimated \$590,000 in the eight months of impacted collections in fiscal year 2024, and by \$920,000 in fiscal year 2025, the first full year of impacted collections.

#### TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):  
FY 2024 - \$ 590

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FY 2025 - \$ 920  
FY 2026 - \$ 950  
FY 2027 - \$ 990  
FY 2028 - \$ 1,020  
FY 2029 - \$ 1,060

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 650 taxpayers who transport petroleum products or crude oil.

### FIRST YEAR COSTS:

The Department of Revenue (department) will incur total costs of \$87,600 in fiscal year 2024. These costs include:

Labor Costs - Time and effort equate to 0.87 FTE.

- Create a special notice to inform affected taxpayers of the reporting change.
- Update relevant information on the department's website.
- Respond to tax ruling requests and email inquiries.
  - Activate taxpayer accounts that were in non-reported status or establish new accounts that will be required to report revenues.
- Correspond with taxpayers impacted by their account change.
  - Process returns, payments and all associated work items, including issuing assessments for return errors and underpayments.
- Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Amend two administrative rules.

Object Costs - \$800.

- Print and mail additional notices, correspondence, and returns to taxpayers who do not file returns electronically.
- Supplies needed for scanning additional documents.

### SECOND YEAR COSTS:

The department will incur total costs of \$29,100 in fiscal year 2025. These costs include:

Labor Costs - Time and effort equate to 0.3 FTE.

- Update special notice, web pages, and publications.
- Respond to tax ruling requests and email inquiries.
  - Process returns, payments and all associated work items, including issuing assessments for return errors and underpayments.
- Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.

### THIRD YEAR COSTS:

The department will incur total costs of \$11,300 in fiscal year 2026. These costs include:

Labor Costs - Time and effort equate to 0.1 FTE.

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- Assist taxpayers with reporting questions.
- Respond to tax ruling requests and email inquiries.

**ONGOING COSTS:**

Ongoing costs for fiscal year 2027 equal \$11,300 and include similar activities described in the third-year costs. Time and effort equate to 0.1 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	0.9	0.3	0.6	0.1	0.1
A-Salaries and Wages	50,900	18,700	69,600	15,000	15,000
B-Employee Benefits	16,800	6,200	23,000	5,000	5,000
E-Goods and Other Services	13,900	3,300	17,200	2,000	2,000
J-Capital Outlays	6,000	900	6,900	600	600
<b>Total \$</b>	<b>\$87,600</b>	<b>\$29,100</b>	<b>\$116,700</b>	<b>\$22,600</b>	<b>\$22,600</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
CUSTOMER SERV SP2	40,812	0.2		0.1		
EMS BAND 4	126,619	0.0		0.0		
EXCISE TAX EX 2	55,872	0.3	0.2	0.3		
EXCISE TAX EX 3	61,632	0.1		0.1		
MGMT ANALYST4	73,260	0.0		0.0		
TAX POLICY SP 2	75,120	0.2	0.1	0.2	0.1	0.1
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>0.9</b>	<b>0.3</b>	<b>0.6</b>	<b>0.1</b>	<b>0.1</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 rule-making process to amend WAC 458-20-13501, titled: “Timber harvest operations” and WAC 458-20-180, titled: “Motor carriers”. Persons affected by this rulemaking would include interstate carriers that currently use the deduction.



# Ten-Year Analysis

<b>Bill Number</b> 5309 E SB	<b>Title</b> Petroleum transportation/tax	<b>Agency</b> 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

## Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Public utilities tax	001	590,000	920,000	950,000	990,000	1,020,000	1,060,000	1,100,000	1,140,000	1,180,000	1,220,000	10,170,000
<b>Total</b>		<b>590,000</b>	<b>920,000</b>	<b>950,000</b>	<b>990,000</b>	<b>1,020,000</b>	<b>1,060,000</b>	<b>1,100,000</b>	<b>1,140,000</b>	<b>1,180,000</b>	<b>1,220,000</b>	<b>10,170,000</b>
<b>Biennial Totals</b>		<b>1,510,000</b>	<b>1,940,000</b>	<b>2,080,000</b>	<b>2,240,000</b>	<b>2,400,000</b>	<b>10,170,000</b>					

## Narrative Explanation (Required for Indeterminate Cash Receipts)

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### ASSUMPTIONS:



# Ten-Year Analysis

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5309 E SB	Petroleum transportation/tax	140 Department of Revenue

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Agency Preparation: Alex Merk-Dyes	Phone: 360-534-1601	Date: 3/8/2023 10:03:48 am
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 3/8/2023 10:03:48 am
OFM Review:	Phone:	Date: