

# Multiple Agency Fiscal Note Summary

**Bill Number:** 2005 HB

**Title:** Postage costs

## Estimated Cash Receipts

Agency Name	2003-05		2005-07		2007-09	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(6,155,827)	(6,155,827)	(6,701,219)	(6,701,219)	(7,368,129)	(7,368,129)
<b>Total \$</b>	(6,155,827)	(6,155,827)	(6,701,219)	(6,701,219)	(7,368,129)	(7,368,129)

Local Gov. Courts *						
Local Gov. Other **		(1,678,000)		(1,827,000)		(2,009,000)
Local Gov. Total		(1,678,000)		(1,827,000)		(2,009,000)

## Estimated Expenditures

Agency Name	2003-05			2005-07			2007-09		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.0	9,900	9,900	.0	0	0	.0	0	0
<b>Total</b>	0.0	\$9,900	\$9,900	0.0	\$0	\$0	0.0	\$0	\$0

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

--

**Prepared by:** Doug Jenkins, OFM

**Phone:**

360-902-0563

**Date Published:**

Revised 3/13/2003

\* See Office of the Administrator for the Courts judicial fiscal note

\*\* See local government fiscal note

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2005 HB	<b>Title:</b> Postage costs	<b>Agency:</b> 140-Department of Revenue
-----------------------------	-----------------------------	--

## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

FUND	FY 2004	FY 2005	2003-05	2005-07	2007-09
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(2,810,235)	(2,929,670)	(5,739,905)	(6,248,447)	(6,870,297)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	(203,634)	(212,288)	(415,922)	(452,772)	(497,832)
<b>Total \$</b>	(3,013,869)	(3,141,958)	(6,155,827)	(6,701,219)	(7,368,129)

### Estimated Expenditures from:

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.1				
<b>Fund</b>					
GF-STATE-State 001-1	9,900		9,900		
<b>Total \$</b>	9,900		9,900		

*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: Bob Longman	Phone: 360-786-7139	Date: 02/19/2003
Agency Preparation: Lorrie Brown	Phone: 360-570-6081	Date: 03/07/2003
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 03/07/2003
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/13/2003

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Sections 1 - 3 provide a B&O tax deduction and sales and use tax exemptions for the actual costs of postage purchased from the USPS and separately charged to a buyer that is associated with the delivery of printed materials to recipients at no charge to the recipients.

Section 4 states that the exemption would be retroactive.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

Administrative rules of the Department currently provide that when a mailing bureau or printer purchases and charges a customer for postage on direct mail, the amount of the postage may be deducted from the total charge when determining the income subject to the B&O and retail sales taxes. During implementation of SB 6835, the Department reviewed this issue and discovered that it lacks the statutory authority for this interpretation. This bill would provide the statutory authority to maintain this tax treatment, as well as extend it the B&O tax deduction to other persons such as advertising agencies that also engage in direct mail activities.

In the absence of the passage of this legislation, the purchase of postage on direct mail will be subject to retail sales and use tax. Mailing bureaus and printers will also be required to include these amounts in their gross sales subject to B&O tax. This would result in a revenue gain to the state of \$6.2 million for the 2003-05 biennium.

The Department of Revenue interprets legislation containing a general statement of retroactivity, such as in Section 4 of this bill, to authorize extinguishing liabilities for unpaid taxes only, and not to require refunds of taxes legally paid.

DOR and industry data.

It is assumed that most taxpayers have been remitting B&O retail sales and use taxes over the last year according to department rules. Therefore, the retroactive provision would have a limited revenue impact.

CURRENTLY REPORTING TAXPAYERS (Impact for taxpayers who are known or estimated to be currently paying the tax in question)

Would decrease state revenues by an estimated \$6,156,000 in the 2003-2005 biennium. Local governments would lose an estimated \$1,678,000 in the biennium.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2004 - \$(3,014)  
FY 2005 - (3,142)

FY 2006 - (3,278)  
FY 2007 - (3,423)  
FY 2008 - (3,594)  
FY 2009 - (3,774)

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

FY 2004 - \$(822)  
FY 2005 - (856)  
FY 2006 - (894)  
FY 2007 - (933)  
FY 2008 - (980)  
FY 2009 - (1,029)

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

(Contact: Joanne Gordon, 570-6121)

The Department will incur costs of approximately \$9,900 in FY 2004 to implement this legislation. This amount represents one administrative rule amendment and includes costs associated with staff time, printing, and postage.

The Department will absorb these costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2004	FY 2005	2003-05	2005-07	2007-09
FTE Staff Years	0.1				
A-	4.100		4,100		
B-	1.100		1,100		
E-	4.200		4,200		
J-	500		500		
Total \$	\$9,900		\$9,900		

III. B - 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 2004	FY 2005	2003-05	2005-07	2007-09
HEARINGS SCHEDULER	30.900	0.0				
RULES MANAGER	69.500	0.0				
RULES POLICY SPECIALIST	68.598	0.0				
TAX POLICY SPEC 2	52.839	0.0				
TAX POLICY SPECIALIST 3	59.740	0.1				
Total FTE's		0.1				

Part IV: Capital Budget Impact

None.

**Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Should this legislation become law, the Department will amend WAC 458-20-17803 (use tax on promotional materials) and WAC 458-20-218 (advertising agencies). Persons affected include persons providing direct mail services and persons acquiring direct mail services.

The Department will incur rule costs only with respect to amending WAC 458-20-218, because the Department has already initiated the rule-making process for WAC 458-20-17803.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

<b>Bill Number:</b> 2005 HB	<b>Title:</b> Postage costs
-----------------------------	-----------------------------

**Part I: Jurisdiction**-Location, type or status of political subdivision defines range of fiscal impacts.

**Legislation Impacts:**

- ☒ Cities:
- ☒ Counties:
- ☐ 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 2004	FY 2005	2003-05	2005-07	2007-09
City	(493,282)	(513,686)	(1,006,968)	(1,096,382)	(1,205,601)
County	(328,718)	(342,314)	(671,032)	(730,618)	(803,399)
Special District					
<b>TOTAL \$</b>	(822,000)	(856,000)	(1,678,000)	(1,827,000)	(2,009,000)
<b>GRAND TOTAL \$</b>					(5,514,000)

**Estimated expenditure impacts to:**

Jurisdiction	FY 2004	FY 2005	2003-05	2005-07	2007-09
City					
County					
Special District					
<b>TOTAL \$</b>					
<b>GRAND TOTAL \$</b>					0

**Part III: Preparation and Approval**

Fiscal Note Analyst: Linda Kercher	Phone: (360) 725-5038	Date: 03/12/2003
Leg. Committee Contact: Bob Longman	Phone: 360-786-7139	Date: 02/19/2003
Agency Approval: Louise Deng Davis	Phone: (360) 725-5034	Date: 03/12/2003
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/13/2003

Part IV: Analysis
A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

This bill provides for a state B&O tax deduction and a state and local sales and use tax exemption for postage costs in certain instances. The deduction and exemption applies where a seller purchases postage from the U.S. Postal Service on behalf of a buyer, and the postage is for delivery of printed material to recipients, at no charge to recipients. Additionally, charges for postage must be separately stated and must be the actual cost of postage. The act is to apply retroactively.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

No local government expenditure impact is expected because the administration of all sales and use tax is handled at the state level.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

Revenue impact to local governments is estimated to be a loss of \$822,000 in FY04. Counties would experience a loss of \$328,718 and cities, \$493,282, in 2004 under this bill.

The bill would result in the following loss of sales and use tax revenue for local government, according to the Department of Revenue (DOR):

- FY 2004 -- (\$822,000)
FY 2005 -- (\$856,000)
FY 2006 -- (\$894,000)
FY 2007 -- (\$933,000)
FY 2008 -- (\$980,000)
FY 2009 -- (\$1,029,000)

County-city distribution is as follows:

Table with 2 columns: County, City. Rows show revenue loss for FY 2004 through FY 2009 for both counties and cities.

METHDOLOGY:

LGFN revenue distribution between cities and counties is based upon DOR 2002 data, where cities received 70.6 percent and counties 29.4 percent of basic and optional sales and use tax revenues. Additionally, 15 percent of cities' revenue is earmarked to counties, as required by statute. The distribution to cities and counties is calculated as follows:

- Total local sales/use tax revenue (from DOR's fiscal note) x 70.6% = City collections
Total local sales/use tax revenue x 29.4% = County collections
City collections x 15% = city-to-county distribution
County collections + city-to-county distribution = Net county distribution
City collections x 85% = Net city distribution

SOURCE:
Department of Revenue