

Multiple Agency Fiscal Note Summary

Bill Number: 5663 SB	Title: Abandoned vehicles sold at auction
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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	(1,417,000)	(1,417,000)	(1,420,000)	(2,025,000)	(2,025,000)	(2,028,000)	(2,070,000)	(2,070,000)	(2,074,000)
Total \$	(1,417,000)	(1,417,000)	(1,420,000)	(2,025,000)	(2,025,000)	(2,028,000)	(2,070,000)	(2,070,000)	(2,074,000)

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		(29,700)		(41,580)		(43,560)
Local Gov. Other	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.					
Local Gov. Total		(29,700)		(41,580)		(43,560)

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 Revenue	.2	52,000	52,000	52,000	.0	0	0	0	.0	0	0	0
Department of Licensing	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	0.2	52,000	52,000	52,000	0.0	0	0	0	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
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Department of Licensing	.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: Kyle Sieferring, OFM

Phone:
(360) 995-3825

Date Published:
Revised 3/20/2023

Department of Revenue Fiscal Note

Bill Number: 5663 SB	Title: Abandoned vehicles sold at auction	Agency: 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 01 - Retail Sales Tax	(426,000)	(995,000)	(1,421,000)	(2,031,000)	(2,076,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	1,000	3,000	4,000	6,000	6,000
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(1,000)	(2,000)	(3,000)	(3,000)	(4,000)
Total \$	(426,000)	(994,000)	(1,420,000)	(2,028,000)	(2,074,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.1	0.2		
GF-STATE-State 001-1	43,400	8,600	52,000		
Total \$	43,400	8,600	52,000		

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: 01/31/2023
Agency Preparation: Sara del Moral	Phone: 60-534-1525	Date: 03/19/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 03/19/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/20/2023

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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 a revision to all parts of the prior fiscal note. It replaces fiscal note number 5663-2.

CURRENT LAW:

BUSINESS AND OCCUPATION TAX:

Washington levies the business and occupation (B&O) tax on gross income from Washington-based business activity. The tax rate varies by classification.

For retailing activities, the tax rate is 0.471%.

A “wholesale sale” means a sale of tangible personal property to a business who will resell it in the regular course of business. For wholesaling activities, the tax rate is 0.484%.

RETAIL SALES AND USE TAXES:

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products and some services. A retail sale is a sale to the final consumer or end user of the property, digital product or service. If retail sales taxes were not collected when the user acquired the property, digital products or services, then use taxes applies to the value of property, digital product or service when used in this state. The state, most cities and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5%; local sales and use tax rates vary from 0.5% to 3.0%, depending on the location.

Motor vehicle sales are exempt from the public safety component of the local retail sales tax.

MOTOR VEHICLE SALES/LEASES TAX:

Under the motor vehicle sales/leases tax, sellers must collect an additional sales tax of 0.3% of the selling price of each motor vehicle. If a seller does not collect the sales tax, then a buyer must pay an additional use tax of 0.3% when registering the vehicle with the Department of Licensing.

TOW TRUCK OPERATORS:

A tow truck operator (operator) may apply a lien against the sale of an abandoned vehicle in the amount of charges for towing and storage. It must try to make the sale via public auction. If there is no successful bidder, it must sell the vehicle to a licensed vehicle wrecker, hulk hauler or scrap processor.

This sale has tax implications for two separate transactions:

- towing and storage charges
- sale of the vehicle

Transaction 1 - Towing and storage charges: Income received for automobile towing and storage services is subject to the retailing B&O tax and the retail sales tax.

When sale proceeds are less than the lien, an operator may back out the retail sales tax from the proceeds to arrive at the taxable measure of the towing and storage services subject to the retailing B&O and retail sales tax.

When the sale proceeds are greater than the lien, an operator may not back out the retail sales tax from the proceeds to arrive at the taxable measure of the towing and storage services subject to the retailing B&O and retail sales tax.

In either case, an operator uses a portion of the sales proceeds to pay the retail sales tax, instead of charging the buyer.

Transaction 2 - Sale of the vehicle: The definition of a “sale” excludes the sale of an abandoned vehicle. As a result, the transaction is not subject to the retail sales tax, B&O tax (retailing or wholesaling classifications) or the motor vehicle sales/leases tax. However, the transaction is subject to the B&O tax under the service/other classification. As an operator may deduct the full sales amount, no B&O tax is due.

If the buyer is a consumer, the purchase is still subject to the use tax and the motor vehicle sales/leases tax, which the Department of Licensing (DOL) collects when the buyer registers the vehicle.

Surplus funds: When the proceeds of an auction sale exceed the amount necessary to satisfy the towing and storage lien, this results in surplus funds. An operator must remit these to the DOL.

PROPOSAL:

Gross proceeds from the sale of an abandoned vehicle are not taxed as the sale of towing and storage services.

Under this bill, the definition of a “sale” will include the sale of an abandoned vehicle. As a result, when a business purchases an abandoned vehicle at wholesale, wholesaling B&O tax applies. When a consumer purchases an abandoned vehicle at retail, then retail sales tax, the motor vehicle sales/leases tax, and the retailing B&O tax will all apply.

For the B&O tax, an operator may deduct from the taxable amount any surplus funds.

The new tax preference performance provisions do not apply to this bill (see section 4 of the bill).

EFFECTIVE DATE:

This bill takes effect on January 1, 2024.

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:

- The average cost for towing and storage charges was \$1,340 in 2022.
- The average price for each abandoned vehicle with a sales price below the lien was \$125 in 2017.
- Licensed vehicle wreckers, hulk haulers and scrap processors purchase at wholesale 90% of abandoned vehicles sold by tow operators.
- Annual growth in charges for towing and storage mirrors the Economic and Revenue Forecast Council forecast for the Seattle consumer price index, urban.
- We derived annual growth rates for the following from the DOL forecast for abandoned vehicles:
 - sales price for a vehicle with a sales price below the lien
 - number of abandoned vehicle sales
- Currently, tribes with compacts receive a share of state sales and use tax (RCW 43.06.523). Additionally, local governments may also receive a portion of state sales and use tax. Under this legislation, the amount of revenue shared with tribes and local governments may decrease.

DATA SOURCES:

- City of Seattle, Max towing fees: Private property impounds, retrieved February 9, 2023, from <https://www.seattle.gov/your-rights-as-a-customer/find-a-towed-car/max-towing-fees-private-property-impounds>
- Department of Licensing, Abandoned vehicle forecast, November 2022
- Department of Licensing, Tow truck affidavit of sale data

- Economic and Revenue Forecast Council, November 2022 forecast

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$426,000 in the five months of impacted collections in fiscal year 2024, and by \$994,000 in fiscal year 2025, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$192,000 in the five months of impacted collections in fiscal year 2024, and by \$448,000 in fiscal year 2025, the first full year of impacted collections.

STATE GOVERNMENT IMPACT:

State Government (cash basis, \$000):

- FY 2024 - (\$ 426)
- FY 2025 - (\$ 994)
- FY 2026 - (\$ 1,013)
- FY 2027 - (\$ 1,015)
- FY 2028 - (\$ 1,030)
- FY 2029 - (\$ 1,044)

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

- FY 2024 - (\$ 192)
- FY 2025 - (\$ 448)
- FY 2026 - (\$ 457)
- FY 2027 - (\$ 458)
- FY 2028 - (\$ 464)
- FY 2029 - (\$ 471)

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 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$43,400 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.37 FTE.

- Amend two excise tax advisories (ETA).
- Gathering requirements, implementation meetings, documentation, and testing of system changes.
- Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email and web message and paper correspondence.

Object Costs - \$6,600.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$8,600 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.1 FTE.

- Examine accounts and make corrections as necessary.

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ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.4	0.1	0.2		
A-Salaries and Wages	22,400	5,600	28,000		
B-Employee Benefits	7,400	1,800	9,200		
C-Professional Service Contracts	6,600		6,600		
E-Goods and Other Services	4,700	900	5,600		
J-Capital Outlays	2,300	300	2,600		
Total \$	\$43,400	\$8,600	\$52,000		

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		
EMS BAND 5	147,919	0.0		0.0		
EXCISE TAX EX 2	55,872	0.1	0.1	0.1		
EXCISE TAX EX 3	61,632	0.1		0.1		
MGMT ANALYST4	73,260	0.1		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		0.4	0.1	0.3		

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

Individual State Agency Fiscal Note

Bill Number: 5663 SB	Title: Abandoned vehicles sold at auction	Agency: 240-Department of Licensing
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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:

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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.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/31/2023
Agency Preparation: Gina Rogers	Phone: 360-634-5036	Date: 03/20/2023
Agency Approval: Gerrit Eades	Phone: (360)902-3863	Date: 03/20/2023
OFM Review: Kyle Siefering	Phone: (360) 995-3825	Date: 03/20/2023

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.

Please see attached fiscal note.

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.

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.

Individual State Agency Fiscal Note

Agency 240 – Department of Licensing

Bill Number: SB 5663

Bill Title: Concerning abandoned vehicles sold at auctions conducted by registered tow truck operators (RTTO)

Part 1: Estimates

No Fiscal Impact

Estimated Cash Receipts:

No Impact: Under current law tow truck operators can be reimbursed for costs associated with towing and impound up to a statutory maximum tow and storage cost. Currently, that statutory maximum fee is used to pay the use tax which applies to these services.

The proposed legislation would exempt the amount reimbursed from the use tax but would not change how the maximum lien amount is calculated; meaning, the RTTO would keep the full lien amount and there would be no change to excess proceeds provided to the motor vehicle fund leaving DOL at no revenue impact.

Estimated Expenditures:

None. Program does not anticipate additional workload regarding this bill.

The revenue 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.
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Linda Hamilton	Phone: (360) 515-8620	Date:
Agency Preparation: Gina Rogers	Phone: (360) 634-5036	Date: 3/20/2023
Agency Approval: Gerrit Eades	Phone: (360) 902-3931	Date:

Request #	1
Bill #	5663 SB

Part 2 – Explanation

This bill sets new requirements for the sale of abandoned vehicles by registered tow truck operators (RTTO's):

- Gross proceeds are subject to tax as the sale of tangible personal property
- Requires RTTOs to collect applicable taxes when selling abandoned vehicles at a public auction, or to a licensed vehicle wrecker, hulk hauler, or scrap processor

2.A – Brief Description Of What The Measure Does That Has Fiscal Impact

None.

2.B - Cash receipts Impact

None.

2.C – Expenditures

None.

Part 3 – Expenditure Detail

None.

Part 4 – Capital Budget Impact

None.

Part 5 – New Rule Making Required

None.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5663 SB

Title: Abandoned vehicles sold at auction

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

Legislation Impacts:

- Cities: Loss of sales tax revenue
- Counties: Loss of sales tax revenue
- Special Districts: Loss of sales tax revenue
- 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: How many abandoned vehicles sold will be taxed

Estimated revenue impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City	(2,654)	(6,192)	(8,846)	(12,384)	(12,974)
County	(3,262)	(7,611)	(10,873)	(15,222)	(15,948)
Special District	(2,994)	(6,987)	(9,981)	(13,974)	(14,638)
TOTAL \$	(8,910)	(20,790)	(29,700)	(41,580)	(43,560)
GRAND TOTAL \$					(114,840)

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 02/14/2023
Leg. Committee Contact:	Phone:	Date: 01/31/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/14/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 02/14/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill would:

- add a new section to RCW 82.04 that clarifies that the gross proceeds of sales of abandoned vehicles by a registered tow truck operator are not subject to tax under this chapter as the sale of automobile towing and storage services, but such gross proceeds of sales of abandoned vehicles by a registered tow truck operator are subject to tax under this chapter as the sale of tangible personal property
- add a new section to 82.08 that a registered tow truck operator must collect the applicable taxes under RCW 82.08.020 when making a retail sale of abandoned vehicles, such sales are treated solely as the sale of tangible personal property and not as the sale of automobile towing and storage services

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 would not impact local government expenditures because no action is required.

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.

This legislation would have an indeterminate revenue impact on local governments. It is unknown how many abandoned vehicles will be sold or for what amount, therefore the sales tax revenue cannot be estimated.

According to the Department of Revenue (DOR) this bill increases state revenues by an estimated \$13,000 in the five months of impacted collections in fiscal year 2024, and by \$30,000 in fiscal year 2025, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$9,000 in the five months of impacted collections in fiscal year 2024, and by \$21,000 in fiscal year 2025, the first full year of impacted collections. Please see the DOR fiscal note for their assumptions and data sources.

REVENUE LOSS BREAKDOWN

Counties:

FY 2024	-\$3,262
FY 2025	-\$7,611
FY 2026	-\$7,611
FY 2027	-\$7,611
FY 2028	-\$7,974
FY 2029	-\$7,974

Cities:

FY 2024	-\$2,654
FY 2025	-\$6,192
FY 2026	-\$6,192
FY 2027	-\$6,192
FY 2028	-\$6,487
FY 2029	-\$6,487

Special Districts:

FY 2024	-\$2,994
FY 2025	-\$6,987
FY 2026	-\$6,987

FY 2027 -\$6,987
FY 2028 -\$7,319
FY 2029 -\$7,319

METHODOLOGY:

The distributions in this note for cities, counties, and special districts are based on DOR data for local sales and use tax distributions from Calendar Year 2021. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. The result is a distribution of 36.61 percent to counties, 29.78 percent to cities, and 33.61 percent to special districts. The one percent DOR administrative fee has also been deducted.

SOURCES:

Department of Licensing
Department of Licensing fiscal note, SB 5663 (2023)
Department of Revenue fiscal note, SB 5663 (2023)
Department of Revenue Local Tax Distributions (2021)
Local Government Fiscal Note program, Local Sales Tax model 2023
Local Government Fiscal Note program, Sales and Use Tax Distribution model 2023