

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5334 E S SB	<b>Title:</b> Affordable housing funding
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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	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

## 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	.9	281,900	281,900	281,900	.4	79,800	79,800	79,800	.4	79,800	79,800	79,800
<b>Total \$</b>	<b>0.9</b>	<b>281,900</b>	<b>281,900</b>	<b>281,900</b>	<b>0.4</b>	<b>79,800</b>	<b>79,800</b>	<b>79,800</b>	<b>0.4</b>	<b>79,800</b>	<b>79,800</b>	<b>79,800</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

## 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
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

## Estimated Capital Budget Breakout

<b>Prepared by:</b> Cheri Keller, OFM	<b>Phone:</b> (360) 584-2207	<b>Date Published:</b> Final 3/30/2023
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5334 E S SB	<b>Title:</b> Affordable housing funding	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Expenditures from:**

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.3	0.5	0.9	0.4	0.4
<b>Account</b>					
GF-STATE-State 001-1	230,600	51,300	281,900	79,800	79,800
<b>Total \$</b>	230,600	51,300	281,900	79,800	79,800

**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: Rachele Harris	Phone: 60-786-7137	Date: 03/29/2023
Agency Preparation: Diana Tibbetts	Phone: 60-534-1520	Date: 03/29/2023
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 03/29/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/30/2023

Request # 5334-3-1

## 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.*

Note: This fiscal note reflects language in ESSB 5334, 2023 Legislative Session.

#### COMPARISON OF THE ENGROSSED SUBSTITUTE BILL WITH THE SUBSTITUTE:

The engrossed substitute bill limits the excise tax rate on short-term rentals to 10%.

#### CURRENT LAW:

Cities, towns, and counties can impose a special hotel/motel tax to fund tourism promotion. The rate can be up to 2% for most jurisdictions.

#### Exceptions include:

- For municipalities authorized to impose the tax where the total rate exceeded 4% before July 27, 1997, the rate may not exceed the rate actually imposed on January 31, 1999.
- If a county imposed the tax with a rate of 4% or more on January 1, 1997, no city within that county may impose this tax, unless imposed by a municipality described in the prior bullet point.
- For a city with a population greater than 400,000 that is located in a county with a population greater than 1 million, the rate cannot exceed the lesser of:
  - 4%.
  - A rate that when combined with all other taxes on lodging sales (under chapters 36.100, 82.08 and 82.14), equals 15.2%.
- For municipalities authorized to impose the tax where the rate exceeded 6% before January 1, 1998, the rate may not exceed the rate that was imposed on January 1, 1998.

Any local sales and use tax change adopted after December 1, 2000, must provide an exemption for sales of lodging if the total sales tax rate charged would exceed the greater of:

- 12%.
- The rate imposed for lodging charges as of December 1, 2000.

#### PROPOSAL:

Cities, towns and counties can levy an additional 10% excise tax on short-term rentals facilitated through an internet-based short-term rental platform. The revenue generated must be used exclusively for the operation and capital costs of affordable housing programs including, but not limited to, homeless housing assistance, temporary shelters, and other related services. This lodging tax is not subject to the 12% lodging cap. A city, town or county may retain up to 5% of collections each calendar year for administration costs of services and programs provided.

#### EFFECTIVE DATE:

The bill takes effect 90 days after final adjournment of the session in which it is enacted.

### 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.*

This legislation results in no direct revenue impact to taxes administered by the Department of Revenue (department).

#### DATA SOURCES:

- Department of Revenue, Excise tax data

REVENUE ESTIMATES:

The local revenue impacts are indeterminate since it is unknown which jurisdictions would impose this new excise tax to short-term rentals.

Based on fiscal year 2022 lodging data, if all jurisdictions levy a 10% tax, it would generate over \$62 million.

**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 proposal affects 20 taxpayers.
- Two to four jurisdictions may enact this tax each year.
- The earliest effective date is January 1, 2024, due to implementation, development, and the minimum 75-day requirement after the department receives notice of a local sales and use tax change that can only start on the first day of January, April, or July.

FIRST YEAR COSTS:

The department will incur total costs of \$230,600 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 1.3 FTEs.

- Set up, program and test computer system changes for new reporting lines, including supporting indicators and issuance codes.
  - Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email and web message and paper correspondence.
  - Examine accounts and make corrections as necessary.
  - Gathering requirements, implementation meetings, training, documentation, and testing of system changes due to new local tax.
- Geographic Information System (GIS) map programming changes.

Object Costs - \$70,400.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$51,300 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.5 FTE.

- Continued computer system testing, monitoring and maintenance.
- Review reports, scrutinize data, and examine accounts and make corrections as necessary.

ONGOING COSTS:

Ongoing costs for the 2026-27 biennium equal \$79,800 and include similar activities described in the second-year costs. Time and effort equate to 0.4 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	1.3	0.5	0.9	0.4	0.4
A-Salaries and Wages	98,600	33,200	131,800	51,800	51,800
B-Employee Benefits	32,500	11,000	43,500	17,000	17,000
C-Professional Service Contracts	70,400		70,400		
E-Goods and Other Services	20,000	5,500	25,500	8,600	8,600
J-Capital Outlays	9,100	1,600	10,700	2,400	2,400
<b>Total \$</b>	<b>\$230,600</b>	<b>\$51,300</b>	<b>\$281,900</b>	<b>\$79,800</b>	<b>\$79,800</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
EXCISE TAX EX 2	55,872	0.1	0.1	0.1	0.1	0.1
EXCISE TAX EX 3	61,632	0.1	0.1	0.1	0.1	0.1
EXCISE TAX EX 4	68,076	0.2	0.1	0.2	0.1	0.1
IT ARCH-SR/SPEC	107,484	0.1		0.1		
IT SYS ADM-JOURNEY	92,844	0.2		0.1		
MGMT ANALYST4	73,260	0.6	0.2	0.4	0.1	0.1
<b>Total FTEs</b>		<b>1.3</b>	<b>0.5</b>	<b>0.9</b>	<b>0.4</b>	<b>0.4</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

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5334 E S SB

Title: Affordable housing funding

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

### Legislation Impacts:

- Cities: potential increase in tax revenue
- Counties: potential increase in tax revenue
- Special Districts:
- Specific jurisdictions only:
- Variance occurs due to:

## Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option: local governments can impose a special excise tax
- Key variables cannot be estimated with certainty at this time: which local governments will impose the special excise tax, what rate, or how many rental properties the tax would apply to

### Estimated revenue impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

### Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

## Part III: Preparation and Approval

Fiscal Note Analyst: Kate Fernald	Phone: 564-200-3519	Date: 03/30/2023
Leg. Committee Contact: Rachelle Harris	Phone: 360-786-7137	Date: 03/29/2023
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 03/30/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 03/30/2023

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

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

#### **CHANGES BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:**

The engrossed substitute version of the bill would clarify that the short-term rental tax rate may not exceed 10% of the short-term rental charge.

The engrossed substitute bill does not change the expenditure and revenue impacts discussed below.

#### **SUMMARY OF CURRENT BILL:**

This bill authorizes local governments to impose a special excise tax on the furnishing of lodging of short-term rentals and use those revenues for affordable housing programs.

### **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.*

#### **CHANGES IN EXPENDITURE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:**

The engrossed substitute version of the bill would not change local governments' expenditure impact. The bill remains a local option.

#### **EXPENDITURE IMPACTS OF CURRENT BILL:**

By itself, the authority granted in this resolution has no fiscal impact.

For those jurisdictions choosing to impose the additional tax, there could be administrative or software costs related to implementing it. It is unknown which jurisdictions would pursue the option, therefore those costs cannot be estimated.

### **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.*

#### **CHANGES IN REVENUE IMPACTS BETWEEN THIS VERSION AND PREVIOUS BILL VERSION:**

The engrossed substitute does not change the indeterminate revenue impacts discussed below.

#### **REVENUE IMPACTS OF CURRENT BILL:**

By itself, the authority granted in this resolution has no fiscal impact.

This bill would allow cities, towns and counties to levy an additional excise tax on short-term rentals facilitated through an internet-based short-term rental platform. This would increase the tax revenue for the local government imposing the tax, but the amounts are indeterminate.

According to the Department of Revenue (DOR) local revenue impact is indeterminate since it is unknown which jurisdictions would impose this new excise tax to short-term rentals as well as the rate of the tax. Based on fiscal year 2022 lodging data, if all jurisdictions levy a 1% tax, it could generate over \$6.2 million.

#### **SOURCES:**

Department of Revenue fiscal note, SB 5334 (2023)

Senate Bill Report, SB 5334, Local Government, Land Use & Tribal Affairs (1/31/23)