

Multiple Agency Fiscal Note Summary

Bill Number: 1757 E HB	Title: Providing a sales and use tax remittance to qualified farmers.
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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	(31,000)	(31,000)	(31,000)	0	0	0	0	0	0
Total \$	(31,000)	(31,000)	(31,000)	0	0	0	0	0	0

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		(8,910)				
Local Gov. Total		(8,910)				

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	.0	7,400	7,400	7,400	.0	0	0	0	.0	0	0	0
Total \$	0.0	7,400	7,400	7,400	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
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Cheri Keller, OFM	Phone: (360) 584-2207	Date Published: Final 4/27/2023
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Department of Revenue Fiscal Note

Bill Number: 1757 E HB	Title: Providing a sales and use tax remittance to qualified farmers.	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	(31,000)		(31,000)		
Total \$	(31,000)		(31,000)		

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1		0.0		
Account					
GF-STATE-State 001-1	7,400		7,400		
Total \$	7,400		7,400		

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: Tracey Taylor	Phone: (360) 786-7152	Date: 04/20/2023
Agency Preparation: Diana Tibbetts	Phone: (360) 534-1520	Date: 04/26/2023
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 04/26/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 04/26/2023

Request # 1757-3-1

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 EHB 1757, 2023 Legislative Session.

COMPARISON OF THE ENGROSSED BILL WITH THE ORIGINAL:

The engrossed bill limits the amount of the sales and use taxes exemption in the form of a remittance to \$10,000 instead of the B&O tax paid from December 31, 2020, through July 1, 2022, that would have been exempt under the services for farms statute (RCW 82.04.758) if the exemption had been available during that time. The remittance must be claimed before January 1, 2029.

CURRENT LAW:

A sales and use tax exemption is available to “eligible farmers” who purchase certain goods and services. 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 provides a sales and use tax exemption for any goods and services purchased by an eligible farmer. The exemption is in the form of a remittance of tax paid. In effect, an eligible farmer is a farmer who is entitled to the B&O tax exemption for providing custom farming services to other farmers. The proposal requires that a person claiming the sales and use tax exemption must retain records suitable for allowing the Department of Revenue (department) to determine whether the eligible farmer is entitled to the exemption.

The maximum remittance per eligible farmer is up to \$10,000. A remittance must be claimed prior to January 1, 2029.

The new tax preference performance provisions do not apply to this bill (see section 3 of the bill).

EFFECTIVE DATE:

This bill takes effect on August 1, 2023.

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 performance audits of government account receives a 0.16% share of retail sales and use tax collections. The refund amounts do not include any impact to the performance audits of government account.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.
- Taxpayers made enough purchases to apply for and receive the \$10,000 remittance amount.

DATA SOURCES:

Department of Revenue, Excise tax data

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$31,000 in fiscal year 2024.

This bill also decreases local revenues by an estimated \$9,000 in fiscal year 2024.

Request # 1757-3-1

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	(\$ 31,000)
FY 2025 -	\$ 0
FY 2026 -	\$ 0
FY 2027 -	\$ 0
FY 2028 -	\$ 0
FY 2029 -	\$ 0

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

FY 2024 -	(\$ 9,000)
FY 2025 -	\$ 0
FY 2026 -	\$ 0
FY 2027 -	\$ 0
FY 2028 -	\$ 0
FY 2029 -	\$ 0

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 four taxpayers.
- Due to the low taxpayer count and "one time" nature of this refund process, this will be done manually with no system changes.

FIRST YEAR COSTS:

The department will incur total costs of \$7,400 in fiscal year 2024. These costs include:

- Labor Costs – Time and effort equate to 0.08 FTE.
- Amend two administrative rules.

SECOND YEAR COSTS:

The department will not incur costs in fiscal year 2025.

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	0.1		0.0		
A-Salaries and Wages	4,800		4,800		
B-Employee Benefits	1,600		1,600		
E-Goods and Other Services	600		600		
J-Capital Outlays	400		400		
Total \$	\$7,400		\$7,400		

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		
MGMT ANALYST4	73,260	0.0		0.0		
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		0.1		0.1		

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 rulemaking process to amend WAC 458-20-209, titled: “Farming for hire and horticultural services performed for farmers” and WAC 458-20-210, titled: “Sales of tangible personal property for farming-Sales of agricultural products by farmers.” Persons affected by this rulemaking would include taxpayers performing custom farming services to other farmers.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1757 E HB

Title: Providing a sales and use tax remittance to qualified farmers.

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

Legislation Impacts:

- ☒ Cities: sales and use tax revenue loss
- ☒ Counties: sales and use tax revenue loss
- ☒ Special Districts: sales and use tax revenue loss
- ☐ 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 2024	FY 2025	2023-25	2025-27	2027-29
City	(2,654)		(2,654)		
County	(3,262)		(3,262)		
Special District	(2,994)		(2,994)		
TOTAL \$	(8,910)		(8,910)		
GRAND TOTAL \$					(8,910)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 04/27/2023
Leg. Committee Contact: Tracey Taylor	Phone: 360-786-7152	Date: 04/20/2023
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 04/27/2023
OFM Review: Cheri Keller	Phone: (360) 584-2207	Date: 04/27/2023

Part IV: Analysis

A. SUMMARY OF BILL

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

CHANGES FROM PREVIOUS BILL VERSION

This engrossed bill adds a limitation to the amount of sales and use tax exemption in the form of a remittance that eligible farmers may receive: up to \$10,000. The remittance must be claimed before January 1, 2029.

SUMMARY OF CURRENT BILL VERSION

This bill creates a sales and use tax exemption for an eligible farmer to be administered in the form of a remittance of tax paid. The maximum remittance per eligible farmer is up to \$10,000. A remittance must be claimed prior to January 1, 2029.

This bill takes effect on August 1, 2023.

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 legislation will not impact local government expenditures.

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 FROM PREVIOUS BILL VERSION

This engrossed bill changes the mode of sales and use tax exemption from “in the form of B&O tax paid” to “in the form of a remittance.”

SUMMARY OF CURRENT BILL VERSION

According to the Dept. of Revenue fiscal note, this bill will decrease local government revenues by an estimated \$9,000 in fiscal year 2024.

METHODOLOGY

The distributions 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 been deducted.

COUNTIES

FY 2024: -\$3,262

CITIES

FY 2024: -\$2,654

SPECIAL DISTRICTS

FY 2024: -\$2,994

SOURCES

Department of Revenue Fiscal Note

Department of Revenue Local Tax Distributions