

Multiple Agency Fiscal Note Summary

Bill Number: 6034 SB	Title: Document fees/excise tax
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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	(6,410,000)	(6,410,000)	(6,419,000)	(11,780,000)	(11,780,000)	(11,797,000)	(13,940,000)	(13,940,000)	(13,961,000)
Total \$	(6,410,000)	(6,410,000)	(6,419,000)	(11,780,000)	(11,780,000)	(11,797,000)	(13,940,000)	(13,940,000)	(13,961,000)

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	Fiscal note not available					
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	.1	32,300	32,300	32,300	.1	19,400	19,400	19,400	.1	19,400	19,400	19,400
Board of Tax Appeals	Fiscal note not available											
Total \$	0.1	32,300	32,300	32,300	0.1	19,400	19,400	19,400	0.1	19,400	19,400	19,400

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	Fiscal note not available								
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
Board of Tax Appeals	Fiscal note not available								
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

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	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Breakout

This preliminary package is incomplete. Other impacted agencies' fiscal notes will be distributed as soon as possible.

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Preliminary 1/17/2024

Department of Revenue Fiscal Note

Bill Number: 6034 SB	Title: Document fees/excise tax	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		(6,000,000)	(6,000,000)	(11,000,000)	(13,000,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax		(410,000)	(410,000)	(780,000)	(940,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax		(9,000)	(9,000)	(17,000)	(21,000)
Total \$		(6,419,000)	(6,419,000)	(11,797,000)	(13,961,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.2	0.2	0.1	0.1
GF-STATE-State 001-1	10,900	21,400	32,300	19,400	19,400
Total \$	10,900	21,400	32,300	19,400	19,400

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: Clinton McCarthy	Phone: 603-60-786-7319	Date: 01/08/2024
Agency Preparation: Erin Valz	Phone: 603-60-534-1522	Date: 01/17/2024
Agency Approval: Valerie Torres	Phone: 603-60-534-1521	Date: 01/17/2024
OFM Review: Amy Hatfield	Phone: (603) 280-7584	Date: 01/17/2024

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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.

CURRENT LAW:

The definition of a retail sale includes document filing and recording fees.

PROPOSAL:

This bill removes document filing and recording fees received by an abstract, title insurance, or escrow service for remittance to a county filing office from the definition of a retail sale, thus exempting such fees from the retail sales tax. Additionally, this bill exempts these fees from business and occupation tax.

EFFECTIVE DATE:

The bill takes effect 90 days after the adjournment of session and applies retroactively to disputed assessments pending before the Department of Revenue (department), board of tax appeals, or any court of law.

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

- Recording fees are \$303.50 per transaction.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.95%.
- The department receives the taxes from monthly taxpayers the month after the business collects the sales tax from the consumer. Most local tax distributions occur the month after the department receives sales and use taxes that businesses collect. This leads to a one-month delay in revenues for the state and a two-month delay in revenues for local jurisdictions.
- If this bill does not pass, the unpaid tax amounts under administrative review will be paid in fiscal year 2025.
- Article VIII, sections 5 and 7 of the Washington constitution do not allow a gift of public funds. The department believes the prohibition against the gifting of public funds prevents it from granting refunds to taxpayers who properly paid the taxes before the effective date of this bill. [See Seattle-King County Council of Camp Fire v. Dept. of Revenue, 105 Wn.2d 55 (1985); City of Yakima v. Huza, 67 Wn.2d 351, 407 P.2d 815 (1965)].
- This legislation takes effect June 4, 2024, impacting 12 months of state collections and 11 months of local collections in fiscal year 2025.

DATA SOURCES

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, November 2023 forecast
- United States Census Bureau, Annual Estimates of the Resident Population for the United States, Regions, States, District of Columbia and Puerto Rico: April 1, 2020, to July 1, 2023 (NST-EST2023-POP)
- Consumer Finance Protection Bureau, Summary of 2021 Data on Mortgage Lending

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$6.4 million in the 12 months of impacted collections in fiscal year 2025, and by \$5.4 million in fiscal year 2026.

This bill decreases local revenues by an estimated \$2.4 million in the 11 months of impacted collections in fiscal year 2025, and by \$2.0 million in fiscal year 2026, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

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State Government (cash basis, \$000):

FY 2024 - \$ 0
FY 2025 - (\$ 6,419)
FY 2026 - (\$ 5,378)
FY 2027 - (\$ 6,419)
FY 2028 - (\$ 6,460)
FY 2029 - (\$ 7,501)

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

FY 2024 - \$ 0
FY 2025 - (\$ 2,440)
FY 2026 - (\$ 2,000)
FY 2027 - (\$ 3,000)
FY 2028 - (\$ 3,000)
FY 2029 - (\$ 3,000)

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 estimate affects 2,200 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$10,900 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.09 FTE.

- Create a special notice and update publications and information on the department's website.

SECOND YEAR COSTS:

The department will incur total costs of \$21,400 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.2 FTE.

- Implementation meetings, review guidance, internal education, and work with taxpayers.
- Amend one excise tax advisory.
- Amend two expedited rules.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$19,400 and include similar activities described in the second-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	0.1	0.2	0.2	0.1	0.1
A-Salaries and Wages	6,800	13,100	19,900	12,800	12,800
B-Employee Benefits	2,200	4,400	6,600	4,200	4,200
E-Goods and Other Services	1,300	2,700	4,000	1,800	1,800
J-Capital Outlays	600	1,200	1,800	600	600
Total \$	\$10,900	\$21,400	\$32,300	\$19,400	\$19,400

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	131,684		0.0	0.0		
EMS BAND 5	153,836		0.0	0.0		
EXCISE TAX EX 3	64,092		0.1	0.1	0.1	0.1
MGMT ANALYST4	76,188		0.0	0.0		
TAX POLICY SP 2	78,120	0.1	0.0	0.0		
TAX POLICY SP 3	88,416	0.0	0.0	0.0		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 2	98,456	0.0		0.0		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs		0.1	0.2	0.2	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 process to amend WAC 458-20-156-Rule, titled: "Abstract, title insurance and escrow businesses" and WAC 458-20-164-Rule, titled: "Insurance producers, adjusters-Title insurance agents-Surplus line brokers." Persons affected by this rulemaking would include abstract, title insurance, and escrow businesses.

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