

Multiple Agency Fiscal Note Summary

Bill Number: 1981 HB	Title: Nuclear energy manufacturing
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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	(200,000)	(200,000)	(200,000)	(930,000)	(930,000)	(930,000)	(1,410,000)	(1,410,000)	(1,410,000)
Total \$	(200,000)	(200,000)	(200,000)	(930,000)	(930,000)	(930,000)	(1,410,000)	(1,410,000)	(1,410,000)

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	No fiscal impact					
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	.6	306,900	306,900	306,900	.0	0	0	0	.0	0	0	0
Total \$	0.6	306,900	306,900	306,900	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	No fiscal impact								
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
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	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 1/18/2024
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Department of Revenue Fiscal Note

Bill Number: 1981 HB	Title: Nuclear energy manufacturing	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 05 - Bus and Occup Tax		(200,000)	(200,000)	(930,000)	(1,410,000)
Total \$		(200,000)	(200,000)	(930,000)	(1,410,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		1.2	0.6		
GF-STATE-State 001-1		306,900	306,900		
Total \$		306,900	306,900		

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: Kristina King	Phone: 60-786-7190	Date: 01/05/2024
Agency Preparation: Beth Leech	Phone: 60-534-1513	Date: 01/16/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/16/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/18/2024

Request # 1981-1-1

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.

CURRENT LAW:

The state business and occupation (B&O) tax is a gross receipts tax measured on the value of products, gross proceeds of sale, or gross income of the business.

The B&O tax rate for general manufacturing, processing for hire, or wholesaling is 0.484%. This rate applies to those manufacturing, wholesaling, or processing for hire nuclear fuel and/or assemblies. The B&O tax rate for retailing is 0.471%. This rate applies to those making retail sales of nuclear fuel and/or assemblies.

When a business performs more than one taxable activity related to the production and sale of the same product, it reports each activity under the proper classification. However, the business receives the multiple activities tax credit (MATC), so B&O tax is not paid more than once on the same product. For instance, a business that manufactures and sells a product wholesale in Washington does not pay both manufacturing and wholesaling B&O tax. The Multiple Activities Tax Credit (MATC) applies, so businesses only pay B&O tax once.

PROPOSAL:

This bill creates a new B&O tax rate of 0.25% for every person engaging within the state in making sales at retail or wholesale, manufacturing, or processing for hire of either nuclear fuel or assemblies, or both.

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

EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session.

The preferential B&O tax rate begins on January 1, 2025, and expires on January 1, 2036.

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

- This bill impacts two taxpayers.
- One taxpayer currently manufactures and sells nuclear fuel and assemblies in Washington. The department received a signed Confidential Tax Information Authorization allowing disclosure of information for fiscal notes.
- One new taxpayer will manufacture and sell nuclear fuel and assemblies beginning in fiscal year 2029. This new taxpayer will be similar to the existing taxpayer currently manufacturing nuclear fuel and assemblies in Washington.
- This legislation takes effect January 1, 2025, and impacts five months of collections in fiscal year 2025.

DATA SOURCES

- Department of Revenue, Excise tax data
- US Department of Energy, Office of Nuclear Energy
- Energy Northwest and X-energy Sign Joint Development Agreement for Xe-100 Advanced Small Modular Reactor Project. (2023, July 19). X-Energy. Retrieved November 13, 2023, from <https://x-energy.com/media/news-releases/energy-northwest-x-energy-joint-development-agreement-xe-100>.
- Next-gen nuclear reactor company signs deal to build up to 12 reactors in Washington State. (2023, July 19). Geekwire. Retrieved November 13, 2023,

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REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$200,000 in the five months of impacted collections in fiscal year 2025, and by \$460,000 in fiscal year 2026, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

- FY 2024 - \$ 0
- FY 2025 - (\$ 200)
- FY 2026 - (\$ 460)
- FY 2027 - (\$ 470)
- FY 2028 - (\$ 470)
- FY 2029 - (\$ 940)

Local Government, if applicable (cash basis, \$000): None

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 less than five taxpayers engaged in manufacturing, processing for hire, and/or selling nuclear fuel or assemblies.

FIRST YEAR COSTS:

The Department of Revenue (department) will not incur costs in fiscal year 2024.

SECOND YEAR COSTS:

The department will incur total costs of \$306,900 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 1.17 FTEs.

- Set up, program, and test computer systems for new tax reporting lines, associated deductions, and new multiple activities tax credits.
- Create a Special Notice and update relevant information on the department’s website.
- Respond to tax ruling requests and email inquiries.
 - Process tax return work items, assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
 - Examine accounts and make corrections as necessary.

Object Costs - \$144,600.

- Computer system changes, including contract programming.

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		1.2	0.6		
A-Salaries and Wages		102,800	102,800		
B-Employee Benefits		33,900	33,900		
C-Professional Service Contracts		144,600	144,600		
E-Goods and Other Services		17,500	17,500		
J-Capital Outlays		8,100	8,100		
Total \$		\$306,900	\$306,900		

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		
EXCISE TAX EX 2	58,104		0.1	0.1		
IT B A-JOURNEY	91,968		0.6	0.3		
IT SYS ADM-JOURNEY	96,552		0.3	0.2		
MGMT ANALYST4	76,188		0.0	0.0		
TAX POLICY SP 2	78,120		0.1	0.1		
TAX POLICY SP 3	88,416		0.0	0.0		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs			1.2	0.6		

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 458-20-136, titled: "Manufacturing, processing for hire, fabricating," and WAC 458-20-190, titled: "Sales to and by the United States and certain entities created by the United States - Doing business on federal reservations - Sales to foreign governments." Persons affected by this rulemaking would include manufacturers and sellers of nuclear fuel and assemblies.

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LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1981 HB

Title: Nuclear energy manufacturing

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:

None

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 01/16/2024
Leg. Committee Contact: Kristina King	Phone: 360-786-7190	Date: 01/05/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/16/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/18/2024

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill creates a new B&O tax rate of 0.25% for every person engaging within the state in making sales at retail or wholesale, manufacturing, or processing for hire of either nuclear fuel or assemblies, or both.

New tax preference performance provisions do not apply.

This bill does not impact local governments.

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 does not impact local governments 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.

This bill does not impact local governments revenues, according to the Dept. of Revenue fiscal note.

SOURCES

Washington State Dept. of Revenue Fiscal Note Draft
Association of Washington Cities