

Multiple Agency Fiscal Note Summary

Bill Number: 6034 SB	Title: Document fees/excise tax
-----------------------------	--

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		(2,415,600)		(4,950,000)		(5,940,000)
Local Gov. Total		(2,415,600)		(4,950,000)		(5,940,000)

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	.0	0	0	0	.0	0	0	0	.0	0	0	0
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

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	.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: Amy Hatfield, OFM

Phone:
(360) 280-7584

Date Published:
Final 1/22/2024

Department of Revenue Fiscal Note

Bill Number: 6034 SB	Title: Document fees/excise tax	Agency: 140-Department of Revenue
-----------------------------	--	--

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

Request # 6034-1-1

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 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:

Request # 6034-1-1

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.

Request # 6034-1-1

Individual State Agency Fiscal Note

Bill Number: 6034 SB	Title: Document fees/excise tax	Agency: 142-Board of Tax Appeals
-----------------------------	--	---

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:

- 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: 360-786-7319	Date: 01/08/2024
Agency Preparation: Seth Flory	Phone: 3604078165	Date: 01/22/2024
Agency Approval: Seth Flory	Phone: 3604078165	Date: 01/22/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/22/2024

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.

Senate Bill 6034 seeks to clarify the excise tax treatment of document recording and filing fees received by title and escrow businesses from clients for remittance to county recording and filing offices.

Section 1 Amends RCW 82.04.050 adding the following language: "Abstract, title insurance, and escrow services" do not include amounts received by a person for remittance to a county filing office as either a document filing or recording fee, or both, if separately identified on the invoice.

Sections 4 makes the change to RCW 82.04.050 apply retroactively to disputes before the Board of Tax Appeals (BTA).

BTA foresees no fiscal impact as result of this legislation. The additional language will have minimal impact on the tax appeals process and will not materially impact the agency.

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.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 6034 SB

Title: Document fees/excise tax

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		(713,085)	(713,085)	(1,461,240)	(1,753,488)
County		(908,749)	(908,749)	(1,862,190)	(2,234,628)
Special District		(793,766)	(793,766)	(1,626,570)	(1,951,884)
TOTAL \$		(2,415,600)	(2,415,600)	(4,950,000)	(5,940,000)
GRAND TOTAL \$					(13,305,600)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 01/18/2024
Leg. Committee Contact: Clinton McCarthy	Phone: 360-786-7319	Date: 01/08/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/18/2024
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.

Section 1 amends RCW 82.04.050 [B&O – Sale at retail definition] to narrow the definition of “retail sale” by specifying services received by persons engaging in abstract, title insurance, and escrow services “do not include amounts received by a person for remittance to a county filing office as either a document filing or recording fee, or both, if separately identified on the invoice.” This exempts such fees from retail sales tax.

Section 2 adds a new section to RCW 82.04 [Business and Occupation Tax] to create a new B&O tax exemption for amounts received for remittance to a county filing office as either a document filing or recording fee or both. Tax preference performance provisions do not apply.

This bill applies prospectively and retroactively to disputed assessments pending before the department of revenue, board of appeals, or any other court of law.

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 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.

According to the Dept. of Revenue, this bill decreases local sales and use tax 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.

COUNTIES

FY 2025	-\$908,749
FY 2026	-\$744,876
FY 2027	-\$1,117,314
FY 2028	-\$1,117,314
FY 2029	-\$1,117,314

CITIES

FY 2025	-\$713,085
FY 2026	-\$584,496
FY 2027	-\$876,744
FY 2028	-\$876,744
FY 2029	-\$876,744

SPECIAL DISTRICTS

FY 2025	-\$793,766
FY 2026	-\$650,628
FY 2027	-\$975,942
FY 2028	-\$975,942
FY 2029	-\$975,942

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 2022. Mitigation payments and distributions to hospital benefit zones are not factored into this distribution. The result is a distribution of 37.62 percent to counties, 29.52 percent to cities, and 32.86 percent to special districts. The one percent DOR administrative fee has also been deducted.

SOURCES

Department of Revenue Fiscal Note Draft

Department of Revenue Local Tax Distributions