

Multiple Agency Fiscal Note Summary

Bill Number: 1936 HB	Title: Tax incentives for 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	(1,200,000)	(1,200,000)	(1,200,000)	(6,100,000)	(6,100,000)	(6,100,000)	(6,500,000)	(6,500,000)	(6,500,000)
Total \$	(1,200,000)	(1,200,000)	(1,200,000)	(6,100,000)	(6,100,000)	(6,100,000)	(6,500,000)	(6,500,000)	(6,500,000)

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	1.3	427,700	427,700	427,700	1.9	329,600	329,600	329,600	1.4	247,200	247,200	247,200
Total \$	1.3	427,700	427,700	427,700	1.9	329,600	329,600	329,600	1.4	247,200	247,200	247,200

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 1/23/2024
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Department of Revenue Fiscal Note

Bill Number: 1936 HB	Title: Tax incentives for 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 05 - Bus and Occup Tax		(1,200,000)	(1,200,000)	(6,100,000)	(6,500,000)
Total \$		(1,200,000)	(1,200,000)	(6,100,000)	(6,500,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		2.6	1.3	1.9	1.4
GF-STATE-State 001-1		427,700	427,700	329,600	247,200
Total \$		427,700	427,700	329,600	247,200

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: 01/09/2024
Agency Preparation: Diana Tibbetts	Phone: 60-534-1520	Date: 01/22/2024
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 01/22/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/22/2024

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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:

Farmers selling products at retail to consumers pay business and occupation (B&O) tax under the retailing classification. Farmers who manufacture products using agricultural products grown, raised, or produced pay B&O tax under the manufacturing classification on the product's value.

Farmer's wholesale sales of agricultural products produced on their farms are exempt from B&O tax.

PROPOSAL:

This bill provides a B&O tax credit for 25% of expenditures made in the previous year by a qualified farmer for the purchase of new equipment, infrastructure, seed, seedlings, spores, animal feed, and amendments beginning January 1, 2025.

To qualify for a credit, a farmer must meet at least one of the following criteria:

- Receive grant funds originating directly from the Washington State Conservation Commission or indirectly receive grant funds through a conservation district or other public entity.
- Participate in a Washington State Conservation Commission or Conservation District Conservation Program.
- Participate in a United States Department of Agriculture Natural Resources Conservation Service Conservation Program.

The credit claimed may not exceed the tax otherwise due and refunds may not be granted in place of credits.

Any unused credit not used in the current calendar year may be carried over and claimed in the two succeeding calendar years but may not be carried over for any calendar year thereafter.

The new tax preference performance provisions do not apply to this bill (see section 2 of the bill).

EFFECTIVE DATE:

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

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

- 500-1000 landowners, mostly farmers and ranchers, participate in Washington State Conservation Commission grant programs.
- 400-500 farmers participate in U.S. Department of Agriculture (USDA) programs.
- Washington farmers paid \$20.5 million in B&O tax in fiscal year 2023.
- Annual growth mirrors the average growth of feed and seed purchases reported in Farm Production Expenditure Summaries in the last six years.
- The B&O tax credit begins January 1, 2025, and impacts five months of collections in fiscal year 2025.

DATA SOURCES

- Department of Revenue, Excise tax data
- Washington State Conservation Commission, Grant data
- United States Department of Agriculture, 2017 census of agriculture and farm production expenditure summary data

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REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$1.2 million in the five months of impacted collections in fiscal year 2025 and by \$3.0 million in fiscal year 2026, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	(\$ 1,200)
FY 2026 -	(\$ 3,000)
FY 2027 -	(\$ 3,100)
FY 2028 -	(\$ 3,200)
FY 2029 -	(\$ 3,300)

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 estimate affects 2,800 taxpayers.

FIRST YEAR COSTS:

The department will not incur any costs in fiscal year 2024.

SECOND YEAR COSTS:

The department will incur total costs of \$427,700 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 2.63 FTEs.

- Resolve returns in error, out of balance, and amended returns; prepare refunds and assessments; and respond to secure messages, correspondence, and telephone questions. Conduct account examinations; and assist taxpayers with reporting.
- Attend implementation meetings, computer system testing, monitoring, and maintenance.
- Set up, program, and test computer system changes.
- Perform field audits.
 - Answer additional phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants/CPAs.
 - Create a Special Notice and identify publications and information the department may need to create or update on the department's website.
 - Update web pages, publications, and forms for the reporting change.
 - Amend one rule.

Object Costs - \$140,160.

- Contract computer system programming.
- Phone agent seat license.
- Postage.
- Printing.

ONGOING COSTS:

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Ongoing costs for the 2025-27 biennium equal \$329,600 and include similar activities described in the second-year costs. Time and effort equate to 1.9 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		2.6	1.3	1.9	1.4
A-Salaries and Wages		171,100	171,100	205,000	155,000
B-Employee Benefits		56,500	56,500	67,600	51,000
C-Professional Service Contracts		137,900	137,900		
E-Goods and Other Services		43,000	43,000	42,600	31,000
G-Travel		700	700	1,400	1,400
J-Capital Outlays		18,500	18,500	13,000	8,800
Total \$		\$427,700	\$427,700	\$329,600	\$247,200

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 2	58,104		0.2	0.1	0.3	0.3
EXCISE TAX EX 3	64,092		0.3	0.2	0.4	0.3
IT B A-JOURNEY	91,968		0.5	0.3		
IT SYS ADM-JOURNEY	96,552		0.1	0.1		
MGMT ANALYST4	76,188		0.0	0.0		
REVENUE AUDITOR 2	64,092		0.2	0.1	0.2	0.2
TAX INFO SPEC 1	46,596		1.0	0.5	1.0	0.6
TAX POLICY SP 2	78,120		0.1	0.1		
TAX POLICY SP 3	88,416		0.1	0.1		
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			2.6	1.4	1.9	1.4

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

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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 standard process to amend WAC 458-20-210, titled: "Sales of tangible personal property for farming." Persons affected by this rulemaking would include qualified farmers receiving the credit on their purchase of new equipment, infrastructure, seed, seedlings, spores, animal feed, and amendments.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1936 HB

Title: Tax incentives for farmers

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: Tammi Alexander	Phone: 360-725-5038	Date: 01/23/2024
Leg. Committee Contact: Kristina King	Phone: 360-786-7190	Date: 01/09/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/23/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/23/2024

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill creates a business and occupation tax credit for 25 percent of expenditures for farming inputs purchased by a farmer who receives a conservation grant or is a participant in a state or federal conservation program.

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 would not impact local government expenditures because no action is required.

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 Department of Revenue (DOR) this bill would not impact local government revenues, only state revenue from the business and occupation tax.

Please see the DOR fiscal note for a complete list of their data sources and assumptions.

SOURCES:

Department of Revenue fiscal note, HB 1935 (2024)

House Bill Analysis, HB 2024, Finance Committee (01/23/2024)