

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2425 HB	<b>Title:</b> Rental support program
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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	(1,500,000)	(1,500,000)	(1,500,000)	(9,370,000)	(9,370,000)	(9,370,000)	(10,060,000)	(10,060,000)	(10,060,000)
<b>Total \$</b>	<b>(1,500,000)</b>	<b>(1,500,000)</b>	<b>(1,500,000)</b>	<b>(9,370,000)</b>	<b>(9,370,000)</b>	<b>(9,370,000)</b>	<b>(10,060,000)</b>	<b>(10,060,000)</b>	<b>(10,060,000)</b>

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		1,500,000		9,370,000		10,060,000
Local Gov. Total		1,500,000		9,370,000		10,060,000

## 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	1.6	411,800	411,800	411,800	2.9	551,900	551,900	551,900	2.5	454,600	454,600	454,600
<b>Total \$</b>	<b>1.6</b>	<b>411,800</b>	<b>411,800</b>	<b>411,800</b>	<b>2.9</b>	<b>551,900</b>	<b>551,900</b>	<b>551,900</b>	<b>2.5</b>	<b>454,600</b>	<b>454,600</b>	<b>454,600</b>

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	Non-zero but indeterminate cost and/or savings. Please see discussion.								
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
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

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	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

# Estimated Capital Budget Breakout

<b>Prepared by:</b> Amy Hatfield, OFM	<b>Phone:</b> (360) 280-7584	<b>Date Published:</b> Final 1/28/2024
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2425 HB	<b>Title:</b> Rental support program	<b>Agency:</b> 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		(1,500,000)	(1,500,000)	(9,370,000)	(10,060,000)
<b>Total \$</b>		(1,500,000)	(1,500,000)	(9,370,000)	(10,060,000)

### Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		3.1	1.6	2.9	2.5
GF-STATE-State 001-1		411,800	411,800	551,900	454,600
<b>Total \$</b>		411,800	411,800	551,900	454,600

### 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: Serena Dolly	Phone: (603) 786-7150	Date: 01/22/2024
Agency Preparation: Stephen Cleverdon	Phone: (603) 534-1523	Date: 01/25/2024
Agency Approval: Valerie Torres	Phone: (603) 534-1521	Date: 01/25/2024
OFM Review: Amy Hatfield	Phone: (603) 280-7584	Date: 01/25/2024

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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.*

Note: This fiscal note reflects a revision to the revenue impacts, and replaces fiscal note number 2425-1.

#### CURRENT LAW:

The state retail sales tax rate is 6.5%. The General Fund receives state retail sales tax, except as follows:

- The Multimodal Transportation Account receives the 0.3% additional tax on motor vehicle sales or leases.
- The Advanced Environmental Mitigation Account receives the tax from sales of leaded racing fuel.
- The Statewide Tourism Marketing Account receives 0.2% of the tax from lodging, car rentals, and restaurants, not exceeding \$3 million per biennium.
- The Office of the Washington State Auditor receives 0.16% of these taxes to fund comprehensive performance audits.
- Certain local governments receive a share of the state sales tax.
- Tribes with compacts receive a share of the state sales tax.

#### PROPOSAL:

Under this bill, municipalities receive 0.5% of the state sales tax on new residential construction where the construction occurred. This revenue funds a new rental support program.

The municipalities may loan administrators the projected program income. An administrator is either a local public housing authority or a nonprofit organization. The administrator receives 5% of the distribution. Administrators provide the money to certain low-income individuals for housing rent assistance.

#### EFFECTIVE DATE:

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

The state begins distributing sales tax to local municipalities on July 1, 2024. However, due to the time it will take to program the Department of Revenue's (department) computer system to accept a breakdown from taxpayers between new residential construction and all other sales, the department cannot implement the bill until January 1, 2025.

The local administrators of the new rental support program must begin accepting applications on January 1, 2025.

### 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:

- In tax year 2023, about \$23 billion of new residential construction occurred.
- The contractor/builder's gross profit margin is 18.2%.
- Salaries and wages make up 10% of the value of newly built residential construction and sales tax does not apply to salaries and wages.
- The taxable costs associated with residential construction is \$12.9 billion.
- local governments (municipalities) receive an amount equal to 0.5% of the state sales tax from the General Fund for the purpose of low-income rental assistance.
- The Performance Audits of Government Account receives a 0.16% share of retail sales and use tax collections. The transfer excludes these amounts.
- 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

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collect. This leads to a one-month delay in revenues for the state and a two-month delay in revenues for local jurisdictions.  
- The department will implement this bill on January 1, 2025, and impact four months of collections in fiscal year 2025. Municipalities will receive their first distribution in March of 2025.

**DATA SOURCES:**

- County property tax assessment rolls
- County assessor data
- Department of Revenue, Excise tax data
- National Association of Home Builders
- Economic Revenue Forecast Council, General Fund State Forecast

**REVENUE ESTIMATES:**

This bill decreases state revenues by an estimated \$1.5 million in the four months of impacted collections in fiscal year 2025, and by \$4.6 million in fiscal year 2026, the first full year of impacted collections.

This bill increases local revenues by an estimated \$1.5 million in the four months of impacted collections in fiscal year 2025, and by \$4.6 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 -	(\$ 1,500)
FY 2026 -	(\$ 4,600)
FY 2027 -	(\$ 4,770)
FY 2028 -	(\$ 4,940)
FY 2029 -	(\$ 5,120)

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

FY 2024 -	\$ 0
FY 2025 -	\$ 1,500
FY 2026 -	\$ 4,600
FY 2027 -	\$ 4,770
FY 2028 -	\$ 4,940
FY 2029 -	\$ 5,120

**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 legislation will affect 21,000 residential construction businesses.
- Expenditures assume that the department will provide funding reports to the Office of the State Treasurer (OST) who will distribute to the municipalities from the General Fund.
- Expenditures assume the 0.5 percent sales tax will be calculated independent of current tribal revenue sharing and local tax distributions. If tribal sharing or local distribution amounts must be adjusted because of this legislation, our associated costs will be much higher and will require additional system enhancements.
- Expenditures assume an effective date of January 1, 2025, providing the department with nine months to implement the required changes. The department will incur additional costs if a different implementation date is required.

#### FIRST YEAR COSTS:

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

#### SECOND YEAR COSTS:

The department will incur total costs of \$411,800 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 3.1 FTEs.

- Set up, program, and test computer system to create an informational addendum for business to report residential construction sales by appropriate local code.
- Create new funding reports.
- Create a new paper addendum and update systems to process the addendum.
- Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses, individuals, and accountants.
- Process returns and addendums, assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Monitor and adjust local tax funding reports and provide monthly to OST.
- Routine audits will require additional time to review and correct addendum reporting.

Object Costs - \$58,000.

- Contract computer system programming.
- Acquire an additional agent seat license at the telephone information center.
- Print and mail reporting addendums and subsequent correspondence to taxpayers who do not file returns electronically.

#### THIRD YEAR COSTS:

The Department will incur total costs of \$324,600 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 3.3 FTEs.

- Ongoing testing and maintenance of computer systems.
- Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses, individuals, and accountants.
- Process returns and addendums, assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Monitor and adjust local tax funding reports and provide monthly to OST.
- Routine audits will require additional time to review and correct addendum reporting.
- Hear additional administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for the review of a disputed action by the department, such as an assessment of taxes, notice of taxes due, denial of a refund request, or tax ruling.

Object Costs - \$1,400.

- Print and mail reporting addendums and subsequent correspondence to taxpayers who do not file returns electronically.

#### ONGOING COSTS:

Ongoing costs for fiscal year 2027 equal \$227,300 and include similar activities described in the third-year costs. Time and effort equate to 2.5 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		3.1	1.6	2.9	2.5
A-Salaries and Wages		212,900	212,900	344,500	286,600
B-Employee Benefits		70,200	70,200	113,500	94,400
C-Professional Service Contracts		54,200	54,200		
E-Goods and Other Services		51,800	51,800	69,700	56,000
G-Travel		700	700	2,200	2,200
J-Capital Outlays		22,000	22,000	22,000	15,400
<b>Total \$</b>		\$411,800	\$411,800	\$551,900	\$454,600

**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
EXCISE TAX EX 2	58,104		0.6	0.3	1.0	0.8
EXCISE TAX EX 3	64,092		0.4	0.2	0.6	0.5
FORMS AND RECORDS ANALYSIS	42,444		0.2	0.1	0.2	0.2
1						
IT B A-JOURNEY	91,968		0.8	0.4	0.2	
IT SYS ADM-JOURNEY	96,552		0.2	0.1		
REVENUE AUDITOR 2	64,092		0.2	0.1	0.3	0.3
TAX INFO SPEC 1	46,596		0.5	0.3	0.5	0.5
TAX INFO SPEC 2	50,088		0.1	0.1	0.1	0.1
TAX POLICY SP 3	88,416				0.1	0.1
WMS BAND 2	98,456		0.1	0.1		
<b>Total FTEs</b>			3.1	1.6	2.9	2.5

### 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

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2425 HB

Title: Rental support program

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

### Legislation Impacts:

Cities: revenue increase, indeterminate expenditure increase

Counties:

Special Districts:

Specific jurisdictions only:

Variance occurs due to:

## Part II: Estimates

No fiscal impacts.

Expenditures represent one-time costs: program start up costs

Legislation provides local option:

Key variables cannot be estimated with certainty at this time: start up costs per municipality, administrative discretion

### Estimated revenue impacts to:

Jurisdiction	FY 2024	FY 2025	2023-25	2025-27	2027-29
City		1,500,000	1,500,000	9,370,000	10,060,000
<b>TOTAL \$</b>		1,500,000	1,500,000	9,370,000	10,060,000
<b>GRAND TOTAL \$</b>					20,930,000

### Estimated expenditure impacts to:

**Non-zero but indeterminate cost and/or savings. Please see discussion.**

## Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 01/26/2024
Leg. Committee Contact: Serena Dolly	Phone: 360-786-7150	Date: 01/22/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/26/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/28/2024

## **Part IV: Analysis**

### **A. SUMMARY OF BILL**

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

Section 1 describes intent.

Section 2 creates a new section to create a new rental support program to provide immediate financial support that will allow low-income families to rent units at or below 30 percent of their income. The programs are to be managed at the municipal level.

Section 3 creates a new section to specify the new program must be administered by either the local public housing authority or a nonprofit organization at the discretion of the municipality, and some detail on how the program is to be developed.

Section 4 creates a new section to detail when the rental support program will begin collecting sales tax July 1, 2024, and when each program will begin accepting applications: by January 1, 2025.

Section 5 creates definitions.

### **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 indeterminately increase municipality expenditures.

The Dept. of Revenue assumes that municipalities will receive their first distributions in March of 2025. Municipalities, will incur one-time costs to set up the administration and management of this new program in fiscal year 2024 and fiscal year 2025. It is unknown what these one-time costs will be per jurisdiction and the scale of these start up costs is likely to vary per municipality.

### **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.*

Section 2 describes a new program to be managed at the municipal level. The LGFN program assumes this bill applies to city governments.

Section 3 specifies that municipalities will have the discretion to decide whom will administer the rental support program: a local public housing authority or a nonprofit. It is unknown what instruments each municipality will use to set up this administrative arrangement. Whether they will pass through funds, whether they will utilize interlocal agreements, or if they will directly manage the program and subcontract aspects of the program. For the purpose of this fiscal note, and for consistency with the Dept. of Revenue fiscal note, the LGFN program will consider the revenue as local government revenue.

According to the Dept. of Revenue, this bill increases local revenues by an estimated \$1.5 million in the four months of impacted collections in fiscal year 2025, and by \$4.6 million in fiscal year 2026, the first full year of impacted collections

#### **CITIES**

FY 2025 -	\$ 1,500,000
FY 2026 -	\$ 4,600,000
FY 2027 -	\$ 4,770,000
FY 2028 -	\$ 4,940,000
FY 2029 -	\$ 5,120,000

SOURCES

Dept. of Revenue Fiscal Note