

Multiple Agency Fiscal Note Summary

Bill Number: 1757 2E HB	Title: Farmers/sales tax remittance
--------------------------------	--

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	(163,000)	(163,000)	(163,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)
Total \$	(163,000)	(163,000)	(163,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)	(66,000)

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		(47,520)		(19,798)		(19,798)
Local Gov. Total		(47,520)		(19,798)		(19,798)

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	.3	118,600	118,600	118,600	.1	27,600	27,600	27,600	.1	27,600	27,600	27,600
Total \$	0.3	118,600	118,600	118,600	0.1	27,600	27,600	27,600	0.1	27,600	27,600	27,600

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

Estimated Capital Budget Breakout

Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 1/30/2024
---------------------------------------	---------------------------------	---

Department of Revenue Fiscal Note

Bill Number: 1757 2E HB	Title: Farmers/sales tax remittance	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		(163,000)	(163,000)	(66,000)	(66,000)
Total \$		(163,000)	(163,000)	(66,000)	(66,000)

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2	0.4	0.3	0.1	0.1
Account					
GF-STATE-State 001-1	80,300	38,300	118,600	27,600	27,600
Total \$	80,300	38,300	118,600	27,600	27,600

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: Jeffrey Mitchell	Phone: (360) 786-7438	Date: 01/13/2024
Agency Preparation: Diana Tibbetts	Phone: (360) 534-1520	Date: 01/27/2024
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 01/27/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/28/2024

Request # 1757-1-1

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:

A sales and use tax exemption is available to eligible farmers who purchase certain goods and services. In 2007, the Legislature enacted a B&O tax exemption for farmers who provide custom farming services to other farmers. The exemption expired on December 31, 2020. In 2022, the Legislature reinstated the B&O tax exemption effective July 1, 2022 (RCW 82.04.758).

PROPOSAL:

This legislation provides a sales and use taxes exemption for any goods and services purchased by an eligible farmer. The exemption is in the form of a refund of tax paid. This bill defines an eligible farmer as a farmer performing custom farming services or farm management services (as defined in RCW 82.04.758).

A person claiming the sales and use taxes exemption must keep records suitable for the Department of Revenue (department) to determine whether the eligible farmer is entitled to the exemption.

The maximum refund per eligible farmer is up to \$10,000 and must be claimed before January 1, 2030.

The new tax preference performance provisions do not apply to this bill (see section 3 of the bill).

EFFECTIVE DATE:

This bill takes effect on July 1, 2024.

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

- Taxpayers will make enough purchases to apply for and receive \$10,000 in refunded taxes.
- In the first fiscal year, 50% of taxpayers will apply for the refund and the remaining taxpayers will receive the refund equally across the fiscal years until January 1, 2030.
- The Performance Audits of Government Account receives a 0.16% share of state retail sales and use taxes. The refunds do not impact the Performance Audits of Government Account.
- Local revenue estimates use the rural average local sales and use tax rate of 1.90%.

DATA SOURCES

Department of Revenue, Excise tax data

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$163,000 in the 11 months of impacted collections in fiscal year 2025, and by \$33,000 per year in subsequent years.

This bill also decreases local revenues by an estimated \$48,000 in the 11 months of impacted distributions in fiscal year 2025, and by \$10,000 per year in subsequent years.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 - \$ 0
FY 2025 - (\$ 163)
FY 2026 - (\$ 33)
FY 2027 - (\$ 33)
FY 2028 - (\$ 33)
FY 2029 - (\$ 33)

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

FY 2024 - \$ 0
FY 2025 - (\$ 48)
FY 2026 - (\$ 10)
FY 2027 - (\$ 10)
FY 2028 - (\$ 10)
FY 2029 - (\$ 10)

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 30 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$80,300 in fiscal year 2024. These costs include:

Labor Costs – Time and effort equate to 0.19 FTE.

- Set up, program and test computer system changes.
- Create a Special Notice and update information on the department's website.

Object Costs - \$54,200.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$38,300 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.37 FTE.

- Amend one administrative rule.
- Continued computer system testing, monitoring, and maintenance.
- Process sales tax remittance work items, assist taxpayers with reporting questions and respond to inquiries via email and web message and paper correspondence.
- Examine accounts and make corrections as necessary.

Object Costs - \$300.

- Print and mail refund checks to eligible farmers who do not file tax returns electronically.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium equal \$27,600 and include similar activities described in the second-year costs. Time and effort equate to 0.1 FTE.

Request # 1757-1-1

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.2	0.4	0.3	0.1	0.1
A-Salaries and Wages	16,500	23,300	39,800	18,400	18,400
B-Employee Benefits	5,400	7,700	13,100	6,000	6,000
C-Professional Service Contracts	54,200		54,200		
E-Goods and Other Services	2,900	5,000	7,900	2,600	2,600
J-Capital Outlays	1,300	2,300	3,600	600	600
Total \$	\$80,300	\$38,300	\$118,600	\$27,600	\$27,600

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
EMS BAND 4	131,684		0.0	0.0		
EXCISE TAX EX 2	58,104		0.2	0.1		
IT B A-JOURNEY	91,968		0.1	0.1	0.1	0.1
IT SYS ADM-JOURNEY	96,552	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		0.2	0.4	0.3	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 458-20-210, titled: "Sales of tangible personal property for farming—Sales of agricultural products by farmers."

Persons affected by this rulemaking would include farmers who were subject to and paid B&O tax for providing custom

Request # 1757-1-1

farming services to other farmers and/or farm management services provided to a related person.

LOCAL GOVERNMENT FISCAL NOTE

Revised

Department of Commerce

Bill Number: 1757 2E HB

Title: Farmers/sales tax remittance

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

Legislation Impacts:

- ☒ Cities: revenue decrease
- ☒ Counties: revenue decrease
- ☒ Special Districts: revenue decrease
- ☐ 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		(14,028)	(14,028)	(5,844)	(5,844)
County		(17,877)	(17,877)	(7,448)	(7,448)
Special District		(15,615)	(15,615)	(6,506)	(6,506)
TOTAL \$		(47,520)	(47,520)	(19,798)	(19,798)
GRAND TOTAL \$					(87,116)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 01/30/2024
Leg. Committee Contact: Jeffrey Mitchell	Phone: 360-786-7438	Date: 01/13/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/30/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/30/2024

Part IV: Analysis

A. SUMMARY OF BILL

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

CHANGES FROM PREVIOUS BILL VERSION

This second engrossed bill changes the date of which a remittance must be claimed by to before January 1, 2030, and changes the date the act takes effect to July 1, 2024.

SUMMARY OF CURRENT BILL VERSION

This bill creates a sales and use tax exemption for an eligible farmer to be administered in the form of a refund of tax paid. The maximum remittance per eligible farmer is up to \$10,000. A remittance must be claimed prior to January 1, 2030.

This bill takes effect on July 1, 2024.

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 legislation 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.

CHANGES FROM PREVIOUS BILL VERSION

Dates changed in this bill version shift the previous amounts by one fiscal year.

SUMMARY OF CURRENT BILL VERSION

According to the Dept. of Revenue fiscal note, this bill will decrease local government revenues by an estimated \$48,000 in the 11 months of impacted distributions in fiscal year 2025, and by \$10,000 per year in subsequent years.

METHODOLOGY

The distributions 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 been deducted.

COUNTIES

FY 2025	-\$17,877
FY 2026	-\$3,724
FY 2027	-\$3,724
FY 2028	-\$3,724
FY 2029	-\$3,724

CITIES

FY 2025	-\$14,028
FY 2026	-\$2,922
FY 2027	-\$2,922
FY 2028	-\$2,922
FY 2029	-\$2,922

SPECIAL DISTRICTS

FY 2025	-\$15,615
FY 2026	-\$3,253
FY 2027	-\$3,253
FY 2028	-\$3,253
FY 2029	-\$3,253

SOURCES

Department of Revenue Fiscal Note

Department of Revenue Local Tax Distributions