Multiple Agency Fiscal Note Summary

Bill Number: 5494 S SB	**Title:** Freight railroad infra.

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	(1,940,000)	(1,940,000)	(1,940,000)	(14,730,000)	(14,730,000)	(14,730,000)	(14,750,000)	(14,750,000)	(14,750,000)
Total $	**(1,940,000)**	**(1,940,000)**	**(1,940,000)**	**(14,730,000)**	**(14,730,000)**	**(14,730,000)**	**(14,750,000)**	**(14,750,000)**	**(14,750,000)**

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	Fiscal note not available					
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
Joint Legislative Audit and Review Committee	.0	0	0	16,900	.0	0	0	9,600	.0	0	0	9,600
Department of Revenue	1.8	1,008,200	1,008,200	1,008,200	.9	189,500	189,500	189,500	.7	146,400	146,400	146,400
Total $	**1.8**	**1,008,200**	**1,008,200**	**1,025,100**	**0.9**	**189,500**	**189,500**	**199,100**	**0.7**	**146,400**	**146,400**	**156,000**

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	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
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	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Breakout

This preliminary package is incomplete and may not reflect the total fiscal impact. Other agencies' fiscal notes will be distributed as soon as possible.

Prepared by: Amy Hatfield, OFM	**Phone:** (360) 280-7584	**Date Published:** Preliminary 2/ 2/2024

Individual State Agency Fiscal Note

Bill Number: 5494 S SB	Title: Freight railroad infra.	Agency: 014-Joint Legislative Audit and Review Committee

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
Account					
Performance Audits of Government Account-State 553-1	4,800	12,100	16,900	9,600	9,600
Total $	4,800	12,100	16,900	9,600	9,600

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:	Alia Kennedy	Phone: 360-786-7405	Date: 01/24/2024
Agency Preparation:	Geoff Cunningham	Phone: 3607865672	Date: 01/26/2024
Agency Approval:	Eric Thomas	Phone: 360 786-5182	Date: 01/26/2024
OFM Review:	Gaius Horton	Phone: (360) 819-3112	Date: 01/26/2024

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.

This bill creates several new tax preferences to incentivize investments in Washington’s regional and short line freight rail infrastructure.

Section 2 provides a credit under RCW 82.04 for qualified expenditures relating to short line railroad maintenance expenditures, new rail development expenditures, and qualified railroad modernization and rehabilitation expenditures. The total credit available to each taxpayer may not exceed $1,000,000 in a calendar year. The total amount of credits may not exceed $15,000,000. The credit may not exceed the tax otherwise due, and refunds may not be granted in place of credits. Taxpayers may use the credit in the calendar year in which the credit was approved and for five calendar years following. No credit may be earned after January 1, 2036 and no credit may be claimed on or after January 1, 2042.

Section 3 of the bill allows a company that recycles railroad material to be eligible for a credit under RCW 82.04 that is equal to the fair market value for the materials used for track maintenance, expansion, or modernization. The credit may not exceed the tax otherwise due, and refunds may not be granted in place of credits. No credit under this section may be earned after January 1, 2037, and no credit may be claimed on or after January 1, 2042.

Section 4 creates an exemption from RCW 82.08.020 for sales of materials required to maintain tracks for owners and operators of class II or class III railroads, freight facilities owned by a port, city, or county in Washington, or an owner of lessee of a rail siding, industrial spur, or industry track if it is located on or adjacent to a class II or class III railroad in Washington. Section 4 expires January 1, 2036.

Section 5 provides that use of materials for track maintenance do not apply to RCW 82.12 for owners and operators of class II and class III railroads, freight facilities owned by a port, city, or county in Washington, or an owner of lessee of a rail siding, industrial spur, or industry track if it is located on or adjacent to a class II or class III railroad in Washington. Section 5 expires January 1, 2036.

Section 6 allows a credit for taxes due under RCW 82.16 for short line railroad maintenance expenditures, new rail expenditures, and rehabilitation and modernization by an eligible taxpayer. The total credit available to each taxpayer may not exceed $1,000,000 in a calendar year. The total amount of credits may not exceed $15,000,000. The credit may not exceed the tax otherwise due, and refunds may not be granted in place of credits. Taxpayers may use the credit in the calendar year in which the credit was approved and for five calendar years following. No credit may be earned after January 1, 2036 and no credit may be claimed on or after January 1, 2042.

Section 7 allows a credit under RCW 82.16 for any company that recycles railroad materials for the fair market value used for track maintenance, expansion, or modernization. No credit may be earned after January 1, 2037, and no credit may be claimed on or after January 1, 2042.

Tax Preference Performance Statement

Under Section 8 the Legislature categorizes the tax preferences in this act as ones intended to accomplish a general purpose, as indicated in RCW 1882.32.808(2)(f).

(3) It is the Legislature's specific public policy objective to promote economic development and reduce impacts of freight transportation on roads and the environment.
(4) In conducting a review under this section, the Joint Legislative Audit and Review Committee should consider, among other measures:

(a) The total miles capable of transporting 286,000 pound railcars;
(b) The number of miles of track rehabilitated to 90 pound rail or greater;
(c) The number of ties replaced;
(d) The amount of ballast replaced;
(e) The number of bridges returned from out of service or able to operate heavier loaded equipment;
(f) The number of switches installed;
(g) Any related safety benefits of addressing at-grade crossings;
(h) The number of rail cars from increased economic activity;
(i) Any improvement in federal railroad administration track classification designation up to and including class II track and the ability to operate at greater speeds;
(j) The amount of steel or ties made obsolete pursuant to section 12 of this act that are reused by a class II or class III railroad, as defined in section 5 of this act, within Washington;
(k) The number of prevailing wage jobs associated with new rail development, modernization, and rehabilitation projects by taxpayers using the tax preferences under this act; and
(l) The number of additional rail cars utilizing class I railroads as a result of new development, modernization, and rehabilitation projects by taxpayers using the tax preferences under this act.

Section 9: Sections 4, 5, and 8 take effect July 1, 2024.
Section 10: Sections 3 and 7 take effect July 1, 2025.
Section 11: Sections 2 and 6 take effect 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.

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.

JLARC staff would work with the Department of Revenue, the Washington State Department of Transportation, and any other appropriate agencies immediately after passage of the bill to ensure project contacts are established and data necessary for JLARC staff's future evaluation needs are identified and collected.

JLARC staff would likely review this preference in 2033, beginning work in 2032, outside of the range of this fiscal note. Costs associated with the review are therefore not included in this fiscal note, which reflects only the costs associated with establishing data collection and other work to prepare for the future review of the preference.

This tax preference review may require additional resources. The audit will be conducted and presented to JLARC consistent with the processes used for other tax preference reviews. Based on all tax preference legislation that is passed, JLARC may subsequently determine that it can absorb the costs for this proposed bill in its base budget, if the workload of other enacted tax preference legislation does not exceed current staffing. JLARC will assess all of the tax preference reviews mandated in the 2024 legislative session.

This audit will require an estimated 2 audit months.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2023-25 costs are calculated at approximately $23,900 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
553-1	Performance Audits of Government Account	State	4,800	12,100	16,900	9,600	9,600
		Total $	4,800	12,100	16,900	9,600	9,600

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages	3,100	7,800	10,900	6,200	6,200
B-Employee Benefits	1,000	2,500	3,500	2,000	2,000
C-Professional Service Contracts					
E-Goods and Other Services	600	1,600	2,200	1,200	1,200
G-Travel	100	200	300	200	200
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	4,800	12,100	16,900	9,600	9,600

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Research Analyst	131,064					
Support staff	110,856					
Total FTEs						0.0

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.

Department of Revenue Fiscal Note

Bill Number: 5494 S SB	Title: Freight railroad infra.	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		(140,000)	(140,000)	(330,000)	(350,000)
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax		(900,000)	(900,000)	(7,200,000)	(7,200,000)
GF-STATE-State 01 - Taxes 35 - Public Utilities Tax		(900,000)	(900,000)	(7,200,000)	(7,200,000)
Total $		(1,940,000)	(1,940,000)	(14,730,000)	(14,750,000)

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.1	2.6	1.8	0.9	0.7
Account					
GF-STATE-State 001-1	284,400	723,800	1,008,200	189,500	146,400
Total $	284,400	723,800	1,008,200	189,500	146,400

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:	Alia Kennedy	Phone: 360-786-7405	Date: 01/24/2024
Agency Preparation:	Beth Leech	Phone: 360-534-1513	Date: 01/25/2024
Agency Approval:	Marianne McIntosh	Phone: 360-534-1505	Date: 01/25/2024
OFM Review:	Amy Hatfield	Phone: (360) 280-7584	Date: 01/25/2024

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.

CURRENT LAW:
Railroads pay public utility (PU) tax as public service businesses that engage in transportation in lieu of the business and occupation (B&O) tax. Railroads also pay retail sales and use tax to purchase materials required for track maintenance.

PROPOSAL:

BUSINESS AND OCCUPATION TAX CREDIT FOR SHORT LINE RAILROADS (section 2):
This section provides a B&O tax credit to qualified short-line railroads for qualified expenditures made by an eligible taxpayer. Credit issued and approved by the Department of Revenue (department) in one calendar year and not claimed in that calendar year may be carried forward for five additional calendar years.

Qualified expenditures may be used to generate a credit for the following amounts:
- Short-line railroad maintenance expenditures equivalent to 50% of the expenditures up to $3,500 multiplied by the miles of railroad track owned or leased in Washington at the close of the taxable year.
- New rail development equivalent to 50% of the expenditures.
- Modernization and rehabilitation to upgrade rail, switches, tracks, and bridges, equivalent to 50% of the expenditures.

The credits earned for railroad maintenance, new rail development, rail modernization, and rehabilitation products expenditures under this section and section 6 may not exceed $1 million for each taxpayer per year combined. The department must disallow any credits earned or portions thereof, that would cause the total amount of credits claimed under this section and section 6 of this bill to exceed, in the aggregate, $15 million in any calendar year.

The B&O tax credits may be transferred to any person subject to B&O tax. No new credits may be earned after December 31, 2035.

To claim or transfer a credit, the person applying must complete an application based on qualified expenditures incurred during the previous calendar year. The department must rule on applications within 60 days of receipt. It may extend the time of processing the application upon notice to the taxpayer and an explanation of why a ruling on the application cannot be completed within such time.

An eligible taxpayer is any railroad subject to B&O tax and classified by the United States Surface Transportation Board as a class II or class III railroad, any railroad owned by a port, city, or county in the state, or any owner or lessee of rail siding, industrial spur, or industry track located on or adjacent to a class II or class III railroad in the state.

Qualified expenditures do not include those used to generate a federal tax credit or expenditures funded by a state or federal grant.

This credit does not apply to class I railroads or short-line railroads owned by a class I railroad or any of its subsidiaries.

No credit may be earned after January 1, 2036, and no credit may be claimed on tax returns filed for reporting periods beginning on or after January 1, 2042.

BUSINESS AND OCCUPATION TAX CREDIT FOR RAILROAD MATERIAL RECYCLERS (section 3):
This section provides a B&O tax credit for companies that recycle railroad materials if the company transfers to an eligible

taxpayer rail, ties, tie plates, joint bars, fasteners, switches, ballast, or other equipment or materials that are part of the rail infrastructure to be installed on tracks used by class II and III railroads. The credit is equal to the fair market value of the donated materials.

Materials must be given to a qualifying recipient without consideration. The department must provide in a rule a standard for determining the fair market value of donated materials.

Credit earned in one calendar year and not claimed in that calendar year may be carried forward for five additional calendar years.

This credit may not be earned for materials donated to short-line railroads owned by a class I railroad or any of its subsidiaries.

The B&O tax credit may be transferred to any person subject to B&O tax. No credit transfer applications may be submitted for materials donated after December 31, 2036. No new credits may be earned after January 1, 2037, and no credit may be claimed on tax returns filed for reporting periods beginning on or after January 1, 2042.

RETAIL SALES AND USE TAX EXEMPTION (sections 4 and 5):
These sections exempt from sales and use tax materials required for track maintenance by owners and operators of class II or class III railroads, any railroad or freight rail facility owned by a port, city, or county in the state, or any owner or lessee of rail siding, industrial spur, or industry track located on or adjacent to the railroad.

Sellers making tax-exempt sales must obtain an exemption certificate from the buyer.

Materials required for track maintenance are defined as rails, ties, tie plates, joint bars, fasteners, switches, ballast, subgrade, roadbed, bridges, industrial leads, sidings, signs, safety barriers, crossing signals and gates, and track when used for the purpose of track maintenance.

These sections expire January 1, 2036.

PUBLIC UTILITY TAX CREDIT FOR SHORT LINE RAILROADS (section 6):
This section provides a PU tax credit to qualified short-line railroads for qualified expenditures made by an eligible taxpayer. Credit earned in one calendar year and not claimed in that calendar year may be carried forward for five additional calendar years.

Qualified expenditures may be used to generate a credit for the following amounts:
- Short-line railroad maintenance expenditures equivalent to 50% of the expenditures up to $3,500 multiplied by the miles of railroad track owned or leased in Washington at the close of the taxable year.
- New rail development equivalent to 50% of the expenditures.
- Modernization and rehabilitation to upgrade rail, switches, tracks, and bridges, equivalent to 50% of the expenditures.

The credits earned for railroad maintenance, new rail development, rail modernization, and rehabilitation products expenditures under this section and section 2 may not exceed $1 million for each taxpayer per year combined. The department must disallow any credits earned, or portions thereof, that would cause the total amount of credits claimed under this section and section 2 of this bill to exceed, in the aggregate, $15 million in any calendar year.

The PU tax credits may be transferred to any person subject to PU tax. No new credits may be earned after December 31, 2035.

To claim or transfer a credit, the person applying must complete an application based on qualified expenditures incurred during the previous calendar year. The department must rule on applications within 60 days of receipt. It may extend the time of processing the application upon notice to the taxpayer and an explanation of why a ruling on the application cannot be completed within such time.

An eligible taxpayer is any railroad subject to PU tax and classified by the United States Surface Transportation Board as a class II or class III railroad, any railroad owned by a port, city, or county in the state, or any owner or lessee of rail siding, industrial spur, or industry track located on or adjacent to a class II or class III railroad in the state.

Qualified expenditures do not include those used to generate a federal tax credit or expenditures funded by a state or federal grant.

This credit does not apply to class I railroads or short-line railroads owned by a class I railroad or any of its subsidiaries.

No credit may be earned after January 1, 2036, and no credit may be claimed on tax returns filed for reporting periods beginning on or after January 1, 2042.

PUBLIC UTILITY TAX CREDIT FOR RAILROAD MATERIAL RECYCLERS (section 7):
This section provides a PU tax credit for companies that recycle railroad materials if the company transfers to an eligible taxpayer rail, ties, tie plates, joint bars, fasteners, switches, ballast, or other equipment or materials that are part of the rail infrastructure to be installed on tracks used by class II and III railroads. The credit is equal to the fair market value of the donated materials.

Materials must be given to a qualifying recipient without consideration. The department must provide in a rule a standard for determining the fair market value of donated materials.

Credit earned in one calendar year and not claimed in that calendar year may be carried forward for five additional calendar years.

This credit may not be earned for materials donated to short-line railroads owned by a class I railroad or any of its subsidiaries.

The PU tax credit may be transferred to any person subject to PU tax. No credit transfer applications may be submitted for materials donated after December 31, 2036. No new credits may be earned after January 1, 2037, and no credit may be claimed on tax returns filed for reporting periods beginning on or after January 1, 2042.

EFFECTIVE DATE:
The retail sales and use tax exemptions take effect July 1, 2024.

The B&O and PU tax credits for railroad material recyclers take effect July 1, 2025.

The B&O and PU tax credits for short-line railroads take effect 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:
- There are 25 short-line railroads that may qualify for the credits and exemptions in this proposal.
- Washington State Department of Transportation provides legislative grant and loan funding for freight rail investments through a biennial call for projects. Current information on those programs assumes $8 million in grants and $5 million in loans will be provided during the 2023-25 Biennium. The loans require a minimum 20% match.
- Short-line railroad expenditures in future biennia are similar to planned expenditures in the 2023-2025 biennium.
- Short-line railroads have over 1,400 miles of track in Washington.
- For this estimate, it is assumed that materials represent 50% of the total cost of track maintenance.
- For this estimate, it is assumed that track maintenance occurs annually.
- Track maintenance costs, on average, are significantly higher than $3,500 per mile of track; therefore, this estimate assumes the B&O and PU tax credits for qualified short-line railroad maintenance expenditures will be limited to $3,500 per mile of track.
- Since no specific B&O tax exemption exists for sales of transferable B&O or PU tax credits, it is assumed that such sales will qualify as taxable events under the B&O tax. It will be taxed at the service and other activities tax rate. Given that no data is available to estimate the transfer or sale of these credits in Washington, the revenue impact to the state general fund from any B&O taxes collected due to these sales is unknown.
- The impacts from the B&O and PU tax credits for railroad material recyclers are confidential, as those credits impact fewer than three taxpayers. These tax credits result in additional negative revenue impacts not shown in this fiscal note.
- Sales tax growth mirrors the growth rate in the ERFC November 2023 forecast.
- The average local sales tax rate is 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.
- The sales and use tax exemptions are effective July 1, 2024, and impact 11 months of state sales and use tax collections in fiscal year 2025 and 10 months of local sales and use tax collections in fiscal year 2025.
- The B&O and PU tax credits for short-line railroads, as estimated, assume credit applications will be received on or after January 1, 2025, for qualified expenditures in the previous calendar year. It is assumed the first credits will be approved and used in March 2025, impacting three months of collections in fiscal year 2025.
- The B&O and PU tax credits for railroad material recyclers are effective July 1, 2025, and impact 11 months of collections in fiscal year 2026.

DATA SOURCES:
- U.S. Surface Transportation Board
- TrainWeb.com
- American Society of Civil Engineers, Infrastructure Report Card
- U.S. Department of Transportation, Federal Railroad Administration
- Department of Transportation, Washington State Rail Plan 2019-2040
- Department of Transportation, Washington 2023-2025 Freight Rail Assistance Program/Freight Rail Investment Bank project lists
- Assessment of State Support for Short Line Rail Infrastructure, Report to the Washington State Joint Transportation Committee, December 2021
- Economic and Revenue Forecast Council, November 2023 forecast
- Department of Revenue, excise tax returns

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated $1.9 million in the 11 months of impacted collections in fiscal year 2025, and by $7.4 million in fiscal year 2026, the first full year of impacted collections.

This bill also decreases local revenues by an estimated $59,000 in the 10 months of impacted collections in fiscal year 2025, and by $74,000 in fiscal year 2026, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
FY 2024 - $ 0
FY 2025 - ($ 1,940)
FY 2026 - ($ 7,360)
FY 2027 - ($ 7,370)
FY 2028 - ($ 7,370)
FY 2029 - ($ 7,380)

Local Government, if applicable (cash basis, $000):
FY 2024 - $ 0
FY 2025 - ($ 59)
FY 2026 - ($ 74)
FY 2027 - ($ 77)
FY 2028 - ($ 79)
FY 2029 - ($ 82)

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 approximately 25 taxpayers.
- The annual tax performance report is not required. The tax preference performance statement (section 8) of this bill lists the purpose as a general purpose as indicated in RCW 82.32.808 (2) (f).

FIRST YEAR COSTS:
The department will incur total costs of $284,400 in fiscal year 2024. These costs include:

Labor Costs - Time and effort equate to 1.06 FTE.
- Set up, program and test computer systems for multiple new credits. This includes a new credit ID and associated return processing and system indicator codes, a new e-file worksheet, and modifications to reports and data files.
- Gather requirements, attend implementation meetings, document and test system changes due to new credits.
- Create a Special Notice and identify publications and information the department may need to create or update on the department’s website.

Object Costs - $130,000.
- Computer system changes, including contract programming.

SECOND YEAR COSTS:
The department will incur total costs of $723,000 in fiscal year 2025. These costs include:

Labor Costs - Time and effort equate to 2.6 FTEs.

- Adopt one new administrative rule.
- Continue computer system testing, monitoring, and maintenance.
- Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Process returns, verify credits taken, and process all associated work items, including issuing assessments for return errors and underpayments.
- Create a Special Notice and identify publications and information the department may need to create or update on the department's website.

Object Costs - $389,900.
- Computer system changes, including contract programming.

ONGOING COSTS:
Ongoing costs for the 2025-27 biennium equal $189,500 and include similar activities described in the second-year costs. Time and effort equate to 0.9 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	1.1	2.6	1.8	0.9	0.7
A-Salaries and Wages	98,100	213,100	311,200	123,800	95,400
B-Employee Benefits	32,500	70,400	102,900	40,800	31,400
C-Professional Service Contracts	130,000	389,900	519,900		
E-Goods and Other Services	16,300	35,800	52,100	19,300	15,200
J-Capital Outlays	7,500	14,600	22,100	5,600	4,400
Total $	$284,400	$723,800	$1,008,200	$189,500	$146,400

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		0.9	0.5	0.8	0.6
IT B A-JOURNEY	91,968	0.3	0.8	0.6	0.2	0.1
IT B A-SR/SPEC	101,376	0.1	0.1	0.1		
IT SYS ADM-JOURNEY	96,552	0.4	0.5	0.5		
MGMT ANALYST4	76,188		0.0	0.0		
TAX POLICY SP 2	78,120	0.2	0.1	0.2		
TAX POLICY SP 3	88,416	0.1	0.1	0.1		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 2	98,456	0.0	0.0	0.0		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs		1.1	2.6	1.9	0.9	0.7

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 standard process to adopt WAC 458-20-XXX, a new rule on railroad tax exemptions and credits. Persons affected by this rulemaking would include certain railroads.