

Multiple Agency Fiscal Note Summary

Bill Number: 2428 S HB	Title: Sales and use tax sharing
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Estimated Cash Receipts

NONE

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	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total \$	0.0	0	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 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 2/15/2024
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Department of Revenue Fiscal Note

Bill Number: 2428 S HB	Title: Sales and use tax sharing	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated 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: Karen Epps	Phone: 60-786-7424	Date: 02/13/2024
Agency Preparation: Taylor Culp	Phone: 60-534-1511	Date: 02/14/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/14/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/15/2024

Request # 2428-2-1

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.

Note: This fiscal note reflects language in SHB 2428, 2024 Legislative Session.

COMPARISON OF THE SUBSTITUTE BILL WITH THE ORIGINAL:

This bill clarifies cities can enter into agreements with each other to share a portion of general-purpose sales and use taxes and describes what must be included in the agreement.

CURRENT LAW:

Counties and cities may impose a 0.5% sales and use taxes for general purposes. Counties must impose the full 0.5% rate; however, cities can levy a rate of up to 0.5%. If the county in which the city resides imposes the tax, the city's rate cannot exceed 0.425%.

Counties and cities may also impose an additional 0.5% sales and use taxes for general purposes. Distributions of the additional taxes to counties and cities depend on who imposes the tax and whose tax rate is greater.

By agreement, the Department of Revenue (department) administers these taxes for the counties and cities and retains a 1% administration fee for the state as set in a contract.

Current law allows local governments to enter into agreements to share revenues.

PROPOSAL:

This bill clarifies cities can enter into agreements with each other to share a portion of general-purpose sales and use taxes and describes what must be included in the agreement, including the following:

- When the cities will share revenue collection in certain areas and how the parties to the agreement will calculate the revenue collected in those areas. The areas must be specified.
- The amount or portion of sales and use taxes the cities will share.
- The precise mechanism or method used by the parties to the agreement to share the revenue.

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.

This legislation results in no revenue impact on taxes administered by the department.

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:

-The interlocal revenue sharing will be calculated independently of current tribal revenue sharing and local tax distributions. If the department must adjust tribal sharing or local distribution amounts because of this legislation, our associated costs will be much higher and will require additional system enhancements and implementation time.

The department will not incur any costs with the implementation of this legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

NONE

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: 2428 S HB

Title: Sales and use tax sharing

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: Allows towns and cities to share local sales and use tax revenue via an agreement
- 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: Angie Hong	Phone: 360-725-5041	Date: 02/15/2024
Leg. Committee Contact: Karen Epps	Phone: 360-786-7424	Date: 02/13/2024
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 02/15/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/15/2024

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 bill clarifies cities can enter into agreements with each other to share a portion of general-purpose sales and use taxes and describes what must be included in the agreement.

SUMMARY OF CURRENT BILL VERSION

This bill adds a new section to RCW 39.34 [Interlocal Cooperation Act] to allow cities to enter into agreements with each other to share a portion of general-purpose sales and use tax revenue. Certain information about the shared revenue must be specified.

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.

CHANGES FROM PREVIOUS BILL VERSION

This substitute does not alter the previous analysis of local expenditure impacts.

SUMMARY OF CURRENT BILL'S LOCAL EXPENDITURE 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.

CHANGES FROM PREVIOUS BILL VERSION

This substitute does not alter the previous analysis of local revenue impacts.

SUMMARY OF CURRENT BILL'S LOCAL REVENUE IMPACTS

This bill does not impact local government revenue as it requires no action, but rather, provides a local option to cities and towns with sales and use taxes: to share tax revenue with other cities/towns collected under RCW 82.14.030 through an agreement.

SOURCES

Washington State Dept. of Revenue Fiscal Note