

Multiple Agency Fiscal Note Summary

Bill Number: 2306 E S HB	Title: Main street tax credits
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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	(630,000)	(630,000)	(630,000)	(1,060,000)	(1,060,000)	(1,060,000)	(140,000)	(140,000)	(140,000)
Total \$	(630,000)	(630,000)	(630,000)	(1,060,000)	(1,060,000)	(1,060,000)	(140,000)	(140,000)	(140,000)

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	Non-zero but indeterminate cost and/or savings. Please see discussion.					
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	63,200	63,200	63,200	.0	0	0	0	.0	0	0	0
Total \$	0.1	63,200	63,200	63,200	0.0	0	0	0	0.0	0	0	0

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 2/20/2024
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Department of Revenue Fiscal Note

Bill Number: 2306 E S HB	Title: Main street tax credits	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		(490,000)	(490,000)	(820,000)	(110,000)
GF-STATE-State 01 - Taxes 36 - PUD Privilege Tax		(140,000)	(140,000)	(240,000)	(30,000)
Total \$		(630,000)	(630,000)	(1,060,000)	(140,000)

Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.2	0.2		
GF-STATE-State 001-1	10,800	52,400	63,200		
Total \$	10,800	52,400	63,200		

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: Tianyi Lan	Phone: 60-786-7432	Date: 02/15/2024
Agency Preparation: Marianne McIntosh	Phone: 60-534-1505	Date: 02/16/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 02/16/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/20/2024

Request # 2306-3-1

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 ESHB 2306, 2024 Legislative Session.

COMPARISON OF THE ENGROSSED SUBSTITUTE BILL WITH THE SUBSTITUTE:

The engrossed substitute bill clarifies the additional credit allowed for individual programs after October 1.

CURRENT LAW:

The Main Street Program tax incentive provides a credit of 50% of contributions made to the Main Street Trust Fund or 75% of contributions made to individual Main Street programs. This credit has a \$5 million statewide cap per year. Credits for contributions to individual Main Street programs are limited to \$160,000 per program per year.

PROPOSAL:

This proposal allows individual Main Street programs to use additional contribution credits remaining under the \$5 million statewide cap as of October 1 each year. These credits may exceed the annual individual program cap of \$160,000 up to \$250,000.

EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session. Credit eligibility begins October 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:

- The growth rate from 2022 to 2023 remains consistent through fiscal year 2029.
- The seven individual programs meeting the current \$160,000 cap will meet the proposed \$250,000 cap.
- The proportion of the credit claimed against B&O and PU tax remains constant.
- Under current law, the Main Street Credit Program meets the statewide \$5 million program cap by calendar year 2028. The proposal results in a credit decline through fiscal year 2028, with no additional credit in fiscal year 2029.

DATA SOURCES:

- Department of Revenue, Excise tax data

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$630,000 in fiscal year 2025. This bill results in no local revenue impact.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	(\$ 630)
FY 2026 -	(\$ 630)
FY 2027 -	(\$ 430)
FY 2028 -	(\$ 140)
FY 2029 -	\$ 0

Local Government (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 approximately 550 taxpayers.

FIRST YEAR COSTS:

The Department of Revenue (department) will incur total costs of \$10,800 in fiscal year 2024. These costs include:

- Labor Costs – Time and effort equate to 0.09 FTE.
- Update a special notice, publications and information on the department's website.

SECOND YEAR COSTS:

The department will incur total costs of \$52,400 in fiscal year 2025. These costs include:

- Labor Costs – Time and effort equate to 0.2 FTE.
- Computer system testing, monitoring, and maintenance.
- Work credit program, attend implementation meetings, and work on additional applications.

- Object Costs - \$27,100.
- Computer system changes, including contract programming.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.1	0.2	0.2		
A-Salaries and Wages	6,700	15,600	22,300		
B-Employee Benefits	2,200	5,100	7,300		
C-Professional Service Contracts		27,100	27,100		
E-Goods and Other Services	1,300	3,200	4,500		
J-Capital Outlays	600	1,400	2,000		
Total \$	\$10,800	\$52,400	\$63,200		

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
EXCISE TAX EX 3	64,092		0.1	0.1		
IT B A-JOURNEY	91,968		0.1	0.1		
TAX POLICY SP 2	78,120	0.1		0.0		
TAX POLICY SP 3	88,416	0.0		0.0		
WMS BAND 2	98,456	0.0		0.0		
Total FTEs		0.1	0.2	0.2		

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: 2306 E S HB

Title: Main street tax credits

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

Legislation Impacts:

- Cities: indeterminate revenue increase
- Counties:
- Special Districts:
- Specific jurisdictions only: cities that receive Main Street Program tax credits
- 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: increase of revenue for city recipients, current amount of tax credit received by cities

Estimated revenue impacts to:

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

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/20/2024
Leg. Committee Contact: Tianyi Lan	Phone: 360-786-7432	Date: 02/15/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/20/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 02/20/2024

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 engrossed substitute bill makes a clarification for administrative purposes.

SUMMARY OF CURRENT BILL VERSION

This bill amends RCW 82.73.030 [Washington Main Street Program Tax Incentives – Credit Authorized, Limitations] to allow an exception to the total credits allowed against public utility tax and business and occupation tax for contributions made to each Main Street Tax Credit Program. The existing limit per program is “not to exceed \$160,000 in a calendar year.” The exception is, “Between 8:00 a.m., Pacific standard time, on October 1st and 8:00 a.m., Pacific standard time, on December 31st of the same calendar year, the total credits allowed for each program may not exceed \$250,000 in a calendar year.

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 engrossed substitute bill makes a clarification for administrative purposes and does not alter the previous analysis of local expenditure impact.

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 engrossed substitute bill makes a clarification for administrative purposes and does not alter the previous analysis of local revenue impact.

SUMMARY OF CURRENT BILL’S LOCAL REVENUE IMPACTS

This bill increases a tax credit cap that will decrease state tax revenue amounts. Local government revenues will have no impact, according to the Dept. of Revenue Fiscal Note.

According to the Washington Trust for Historic Preservation, the Main Street Program saw approximately \$4,300,000 of the available \$5,000,000 statewide credit cap claimed in 2023. The recipients of these tax credits are most commonly businesses, however, an unknown proportion of the tax credit recipients are cities.

This bill will indeterminately increase the revenue of current city recipients of the Main Street Program tax credits due to the credit cap increase. It is unknown what proportion of current claimed credits goes toward cities, therefore, the increase in revenue is indeterminate. The unknown amount of revenue increase is not expected to exceed the remaining amount of statewide credit cap which is \$700,000 per fiscal year.

SOURCES

Dept. of Revenue

Washington Trust for Historic Preservation