

Multiple Agency Fiscal Note Summary

Bill Number: 1862 E S HB	Title: Disabled veteran assist./tax
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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	(18,000)	(18,000)	(18,000)	(57,000)	(57,000)	(57,000)	(58,000)	(58,000)	(58,000)
Total \$	(18,000)	(18,000)	(18,000)	(57,000)	(57,000)	(57,000)	(58,000)	(58,000)	(58,000)

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		(9,899)		(30,691)		(31,680)
Local Gov. Total		(9,899)		(30,691)		(31,680)

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	7,200	.0	0	0	4,800	.0	0	0	4,800
Department of Revenue	.2	72,600	72,600	72,600	.0	0	0	0	.0	0	0	0
Total \$	0.2	72,600	72,600	79,800	0.0	0	0	4,800	0.0	0	0	4,800

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

Estimated Capital Budget Breakout

Prepared by: Amy Hatfield, OFM

Phone:
(360) 280-7584

Date Published:
Final 2/22/2024

Individual State Agency Fiscal Note

Bill Number: 1862 E S HB	Title: Disabled veteran assist./tax	Agency: 014-Joint Legislative Audit and Review Committee
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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	2,400	7,200	4,800	4,800
Total \$	4,800	2,400	7,200	4,800	4,800

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: 360-786-7432	Date: 02/15/2024
Agency Preparation: Dana Lynn	Phone: 360-786-5177	Date: 02/21/2024
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 02/21/2024
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 02/21/2024

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 new B&O tax and sales and use tax exemptions for income from sales made on a federal military reservation by a nonprofit 501(c)(3) organization operating an adaptive recreational and rehabilitation facility to assist disabled veterans and U.S. armed forces service members.

TAX PREFERENCE PERFORMANCE STATEMENT

Section 1 of the bill provides a tax preference performance statement. It is the legislature's specific public policy objective to provide tax relief for certain businesses and individuals, as noted in RCW 82.32.808(2)(e). The Legislature's specific policy objective is to reduce the tax burden on individuals and businesses imposed by the B&O tax.

If the review finds that there is an increase in the use of adaptive recreational and rehabilitation facilities by disabled veterans and members of the U.S. armed forces, then the Legislature intends to extend the expiration date.

The preferences take effect October 1, 2024, and will expire January 1, 2035.

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 contact and work with the Department of Revenue and other agencies or entities after passage of the bill to ensure project contacts are established and any other necessary data for JLARC staff's future evaluation needs are identified and collected.

The expenditure detail reflects work conducted to prepare for the future review of the preferences in 2032. Costs associated with the review are not included in this fiscal note. This fiscal note reflects only the costs associated with establishing data collection.

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 1 audit month.

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	2,400	7,200	4,800	4,800
Total \$			4,800	2,400	7,200	4,800	4,800

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	1,600	4,700	3,200	3,200
B-Employee Benefits	1,000	500	1,500	1,000	1,000
C-Professional Service Contracts					
E-Goods and Other Services	600	300	900	600	600
G-Travel	100		100		
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	2,400	7,200	4,800	4,800

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: 1862 E S HB	Title: Disabled veteran assist./tax	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 01 - Retail Sales Tax		(18,000)	(18,000)	(57,000)	(58,000)
Total \$		(18,000)	(18,000)	(57,000)	(58,000)

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.5	0.2		
Account					
GF-STATE-State 001-1	11,300	61,300	72,600		
Total \$	11,300	61,300	72,600		

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: Tianyi Lan	Phone: 60-786-7432	Date: 02/15/2024
Agency Preparation: Van Huynh	Phone: 60-534-1512	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 # 1862-3-1

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 1862, 2024 Legislative Session.

COMPARISON OF THE ENGROSSED SUBSTITUTE BILL WITH THE SUBSTITUTE:

The engrossed substitute bill clarifies that the use tax exemption is for the use of tangible personal property purchased on a federal military reservation sold to a disabled veteran or member of the armed forces by the nonprofit organization.

CURRENT LAW:

There are no business and occupation (B&O) and retail sales tax exemptions for amounts received from sales on a federal military reservation by a nonprofit organization that operates an adaptive recreational and rehabilitation facility dedicated to the assistance of disabled veterans and members of the armed forces.

There is also no use tax exemption for the use of tangible personal property purchased on a federal military reservation sold to a disabled veteran or member of the armed forces by such an organization.

PROPOSAL:

This bill creates B&O and retail sales tax exemptions for amounts received as the result of sales on a federal military reservation by a nonprofit organization under Title 26 U.S.C. Sec. 501(c)(3) of the federal Internal Revenue Code of 1986, as amended, that operates an adaptive recreational and rehabilitation facility dedicated to the assistance of disabled veterans and members of the armed forces of the United States. The bill also creates a use tax exemption for the use of tangible personal property purchased on a federal military reservation sold to a disabled veteran or member of the armed forces by such an organization.

An "adaptive recreational and rehabilitation facility" means a facility providing activity modifications, assistive technologies, or other services to allow people with disabilities to participate in recreational activities, sports, or physical rehabilitation efforts.

All exemptions expire on January 1, 2035.

EFFECTIVE DATE:

This bill is effective 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

- Based on a public testimony for HB 2550 in the 2018 Legislative Session by the American Lake Veterans Golf Course, a similar bill would exempt \$274,000 of sales each year.
- The exemptions in this bill apply to all sales made on a federal military reservation by a nonprofit organization operating an adaptive recreational and rehabilitation facility.
- Businesses owing B&O tax use the small business credit, so the impact of exempting the B&O tax is minimal.
- The Department of Revenue (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.

Request # 1862-3-1

Form FN (Rev 1/00) 195,064.00

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Bill # 1862 E S HB

- This proposal takes effect October 1, 2024, and impacts eight months of state collections in fiscal year 2025.

DATA SOURCES

- House Bill Report HB 2550, 2018 Legislative Session
- Economic and Revenue Forecast Council, November 2023 forecast

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$18,000 in the eight months of impacted collections in fiscal year 2025, and by \$28,000 in fiscal year 2026, the first full year of impacted collections. This bill also decreases local revenues by an estimated \$9,000 in the seven months of impacted collections in fiscal year 2025, and by \$15,000 in fiscal year 2026, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	(\$ 18)
FY 2026 -	(\$ 28)
FY 2027 -	(\$ 29)
FY 2028 -	(\$ 29)
FY 2029 -	(\$ 29)

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

FY 2024 -	\$ 0
FY 2025 -	(\$ 9)
FY 2026 -	(\$ 15)
FY 2027 -	(\$ 16)
FY 2028 -	(\$ 16)
FY 2029 -	(\$ 16)

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 5 taxpayers.

FIRST YEAR COSTS:

The department will incur total costs of \$11,300 in fiscal year 2024. These costs include:

Object Costs - \$11,300.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$61,300 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.47 FTE.

- Gathering requirements, testing, and implementation of system changes due to new exemptions.

ONGOING COSTS:

Ongoing costs for the 2025-27 biennium are minimal of approximately \$10,880 and include similar activities described in the second-year costs. The department will absorb these 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		0.5	0.2		
A-Salaries and Wages		38,800	38,800		
B-Employee Benefits		12,800	12,800		
C-Professional Service Contracts	11,300		11,300		
E-Goods and Other Services		6,500	6,500		
J-Capital Outlays		3,200	3,200		
Total \$	\$11,300	\$61,300	\$72,600		

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 3	64,092		0.1	0.1		
IT B A-JOURNEY	91,968		0.3	0.2		
TAX POLICY SP 2	78,120		0.0	0.0		
TAX POLICY SP 3	88,416		0.0	0.0		
WMS BAND 2	98,456		0.0	0.0		
Total FTEs			0.5	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: 1862 E S HB

Title: Disabled veteran assist./tax

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

Legislation Impacts:

- Cities: minor revenue decrease
- Counties: minor revenue decrease
- Special Districts: minor 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		(2,922)	(2,922)	(9,060)	(9,352)
County		(3,724)	(3,724)	(11,546)	(11,918)
Special District		(3,253)	(3,253)	(10,085)	(10,410)
TOTAL \$		(9,899)	(9,899)	(30,691)	(31,680)
GRAND TOTAL \$					(72,270)

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/19/2024
Leg. Committee Contact: Tianyi Lan	Phone: 360-786-7432	Date: 02/15/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/19/2024
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 clarifies that the use tax exemption is for the use of tangible personal property purchased on a federal military reservation sold to a disabled veteran or member of the armed forces by the nonprofit organization.

SUMMARY OF THIS BILL VERSION

This bill creates a new business and occupation tax exemption, creates a new sales and use tax exemption, requires a tax preference performance statement, and will result in a minor revenue decrease for local governments.

Section 1 creates a new section to establish a business and occupation exemption for amounts received as the result of sales on a federal military reservation by a nonprofit organization that operates an adaptive recreational and rehabilitation facility dedicated to the assistance of disabled veterans and members of the armed forces of the USA.

Section 2 and 3 creates a sales and use tax exemption and defines “adaptive recreational and rehabilitation facility.” This section expires 1/1/2035.

Section 4 adds a use tax exemption for the use of tangible personal property purchased on a federal military reservation by the nonprofit organization.

This bill goes into effect October 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.

CHANGES FROM PREVIOUS BILL VERSION

This engrossed substitute bill adds a clarification regarding what the use tax exemption applies to and does not alter the previous analysis of expenditure impact.

SUMMARY OF THIS 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 adds a clarification regarding what the use tax exemption applies to and does not alter the previous analysis of revenue impact.

SUMMARY OF THIS BILL'S LOCAL REVENUE IMPACTS

According to the Dept. of Revenue fiscal note, this bill will decrease local government revenues by an estimated \$10,000 fiscal year 2025, and by \$15,000 in fiscal year 2026, the first full year of impacted collections.

COUNTIES

FY 2025	-\$3,724
FY 2026	-\$5,587
FY 2027	-\$5,959
FY 2028	-\$5,959
FY 2029	-\$5,959

CITIES

FY 2025	-\$2,922
FY 2026	-\$4,384
FY 2027	-\$4,676
FY 2028	-\$4,676
FY 2029	-\$4,676

SPECIAL DISTRICTS

FY 2025	-\$3,253
FY 2026	-\$4,880
FY 2027	-\$5,205
FY 2028	-\$5,205
FY 2029	-\$5,205

METHODOLOGY

The distributions in this note 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 also been deducted.

SOURCES

Department of Revenue Fiscal Note
Department of Revenue Local Tax Distributions