

Multiple Agency Fiscal Note Summary

| | |
|--------------------------------|---|
| Bill Number: 2454 HB PL | Title: Ag. crop products/tax ex. |
|--------------------------------|---|

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 | 0 | 0 | 0 | 0 | 0 | (198,000) | 0 | 0 | (81,000) |
| Total \$ | 0 | 0 | 0 | 0 | 0 | (198,000) | 0 | 0 | (81,000) |

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 | .1 | 0 | 0 | 38,100 | .0 | 0 | 0 | 12,100 | .0 | 0 | 0 | 0 |
| Department of Revenue | .0 | 11,900 | 11,900 | 11,900 | .0 | 0 | 0 | 0 | .0 | 0 | 0 | 0 |
| Total \$ | 0.1 | 11,900 | 11,900 | 50,000 | 0.0 | 0 | 0 | 12,100 | 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 |
| 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 3/18/2024 |
|---------------------------------------|---------------------------------|---|

Individual State Agency Fiscal Note

| | | |
|--------------------------------|---|---|
| Bill Number: 2454 HB PL | Title: Ag. crop products/tax ex. | 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 |
|---|---------|---------|---------|---------|---------|
| FTE Staff Years | 0.0 | 0.2 | 0.1 | 0.0 | 0.0 |
| Account | | | | | |
| Performance Audits of Government Account-State 553-1 | 0 | 38,100 | 38,100 | 12,100 | 0 |
| Total \$ | 0 | 38,100 | 38,100 | 12,100 | 0 |

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: | Phone: | Date: 03/14/2024 |
| Agency Preparation: Zack Freeman | Phone: 360-786-5179 | Date: 03/18/2024 |
| Agency Approval: Eric Thomas | Phone: 360 786-5182 | Date: 03/18/2024 |
| OFM Review: Amy Hatfield | Phone: (360) 280-7584 | Date: 03/18/2024 |

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.

HB.PL 2454 extends an existing tax exemption until January 1, 2028, for certain agricultural crop protection products.

Tax Preference Performance Statement Details:

The Legislature categorizes the tax preference as one intended to induce certain designated behavior by taxpayers per RCW 82.32.808 (2)(a).

The Legislature's specific public policy objective is to clarify an existing exemption from the hazardous substance tax for agricultural crop protection products to incentivize storing products in Washington state as they are engaged in interstate commerce.

If a JLARC review finds an average increase in revenue of the hazardous substance tax, then the Legislature intends to extend the expiration date of the tax preference. JLARC staff reviewed the preference in 2023.

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 will work with the Department of Revenue and any other appropriate agencies to ensure project contacts are established and any other necessary data for JLARC staff's future evaluation needs are identified and collected. Staff would work with those same agencies and organizations when conducting its review.

Based on the expiration date, this fiscal note assumes the preference will be reviewed in 2025. Because JLARC staff recently reviews the preference in 2023, the fiscal note assumes we would do an abbreviated review in 2025.

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 3 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 | 0 | 38,100 | 38,100 | 12,100 | 0 |
| Total \$ | | | 0 | 38,100 | 38,100 | 12,100 | 0 |

III. B - Expenditures by Object Or Purpose

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|--------------------------------------|---------|---------|---------|---------|---------|
| FTE Staff Years | | 0.2 | 0.1 | | |
| A-Salaries and Wages | | 24,800 | 24,800 | 7,800 | |
| B-Employee Benefits | | 7,800 | 7,800 | 2,500 | |
| C-Professional Service Contracts | | | | | |
| E-Goods and Other Services | | 5,000 | 5,000 | 1,600 | |
| G-Travel | | 500 | 500 | 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 \$ | 0 | 38,100 | 38,100 | 12,100 | 0 |

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 | | 0.1 | 0.1 | | |
| Support staff | 110,856 | | 0.1 | 0.1 | | |
| Total FTEs | | | 0.2 | 0.1 | | 0.0 |

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: 2454 HB PL | Title: Ag. crop products/tax ex. | 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 |
|--|---------|---------|---------|-----------|----------|
| Model Toxics Control Capital Account-State 01 - Taxes 12 - Hazardous Substnc Tx | | | | (198,000) | (81,000) |
| Total \$ | | | | (198,000) | (81,000) |

Estimated Expenditures from:

| | FY 2024 | FY 2025 | 2023-25 | 2025-27 | 2027-29 |
|----------------------|---------|---------|---------|---------|---------|
| FTE Staff Years | 0.1 | | 0.0 | | |
| Account | | | | | |
| GF-STATE-State 001-1 | 11,900 | | 11,900 | | |
| Total \$ | 11,900 | | 11,900 | | |

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: | Phone: | Date: 03/14/2024 |
| Agency Preparation: Anna Yamada | Phone: (603) 60-534-1519 | Date: 03/15/2024 |
| Agency Approval: Valerie Torres | Phone: (603) 60-534-1521 | Date: 03/15/2024 |
| OFM Review: Amy Hatfield | Phone: (603) 280-7584 | Date: 03/18/2024 |

Request # 2454-2-1

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 HB 2454 as passed in the 2024 Legislative Session.

CURRENT LAW:

Pesticide products solely used by farmers or certified applicators as an agricultural crop protection product warehoused in or transported to or from Washington are exempt from the hazardous substance tax, provided the possessor of the pesticide products does not otherwise use, manufacture, package for sale, or sell the products in Washington.

This exemption expires on January 1, 2026.

PROPOSAL:

This bill extends the expiration of this tax preference to January 1, 2028.

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.

ASSUMPTIONS:

- The annual growth rate for agricultural crop protection products revenue mirrors the U.S. pesticide and other agricultural chemicals industry revenue trend as forecasted in Statista.
- This proposal takes effect July 1, 2024, and extends the incentive expiration date to January 1, 2028. The fiscal year 2028 impact reflects seven months of collections. Under the current law, this incentive expires January 1, 2026. With the extended expiration date, the fiscal year 2026 impact reflects five months of collections.

DATA SOURCES:

- Department of Revenue, Excise tax data
- Statista, Pesticide and other agricultural chemicals industry revenue 2016-2024

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$58,000 in the five months of impacted collections in fiscal year 2026 and by \$140,000 in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

| | |
|-----------|----------|
| FY 2024 - | \$ 0 |
| FY 2025 - | \$ 0 |
| FY 2026 - | \$ (58) |
| FY 2027 - | \$ (140) |
| FY 2028 - | \$ (81) |
| FY 2029 - | \$ 0 |

Local Government: 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 five taxpayers.

FIRST YEAR COSTS:

The Department of Revenue (department) will incur total costs of \$11,900 in fiscal year 2024. These costs include:

- Labor Costs – Time and effort equate to 0.07 FTE.
- Update a special notice and web content for the industry guide.

- Object Costs - \$4,500.
- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will not incur any costs in fiscal year 2025.

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 | | 0.0 | | |
| A-Salaries and Wages | 4,800 | | 4,800 | | |
| B-Employee Benefits | 1,600 | | 1,600 | | |
| C-Professional Service Contracts | 4,500 | | 4,500 | | |
| E-Goods and Other Services | 600 | | 600 | | |
| J-Capital Outlays | 400 | | 400 | | |
| Total \$ | \$11,900 | | \$11,900 | | |

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 |
|--------------------|--------|------------|---------|------------|---------|---------|
| 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 | | 0.1 | | 0.0 | | |

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