

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1506 HB	<b>Title:</b> Credit union-bank merger/tax
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## Estimated Cash Receipts

Agency Name	2025-27			2027-29			2029-31		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	9,700,000	9,700,000	9,700,000	24,500,000	24,500,000	24,500,000	38,400,000	38,400,000	38,400,000
<b>Total \$</b>	<b>9,700,000</b>	<b>9,700,000</b>	<b>9,700,000</b>	<b>24,500,000</b>	<b>24,500,000</b>	<b>24,500,000</b>	<b>38,400,000</b>	<b>38,400,000</b>	<b>38,400,000</b>

## Estimated Operating Expenditures

Agency Name	2025-27				2027-29				2029-31			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Financial Institutions	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	.4	209,200	209,200	209,200	.0	0	0	0	.0	0	0	0
<b>Total \$</b>	<b>0.4</b>	<b>209,200</b>	<b>209,200</b>	<b>209,200</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Financial Institutions	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

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<b>Prepared by:</b> Megan Tudor, OFM	<b>Phone:</b> (360) 890-1722	<b>Date Published:</b> Final 2/ 1/2025
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 1506 HB	<b>Title:</b> Credit union-bank merger/tax	<b>Agency:</b> 102-Department of Financial Institutions
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## Part I: Estimates

**No Fiscal Impact**

**Estimated Cash Receipts to:**

NONE

**Estimated Operating 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: Tracey Taylor	Phone: 360-786-7152	Date: 01/21/2025
Agency Preparation: Cale Zimmerman	Phone: (360) 902-0507	Date: 01/27/2025
Agency Approval: Emily Fitzgerald	Phone: (360) 902-8780	Date: 01/27/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/01/2025

## 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 legislation would impose a business and occupation tax on any state-chartered credit union that merges with or acquires a commercial bank that is regulated by the Department of Financial Institutions (DFI).

This bill would not change how DFI regulates these depositories. Because there are no new responsibilities to DFI's regulatory role, it has no fiscal impact.

### 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.*

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

### III. B - Expenditures by Object Or Purpose

NONE

**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

<b>Bill Number:</b> 1506 HB	<b>Title:</b> Credit union-bank merger/tax	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax	2,000,000	7,700,000	9,700,000	24,500,000	38,400,000
<b>Total \$</b>	2,000,000	7,700,000	9,700,000	24,500,000	38,400,000

### Estimated Expenditures from:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.7	0.1	0.4		
GF-STATE-State 001-1	195,000	14,200	209,200		
<b>Total \$</b>	195,000	14,200	209,200		

### 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: Tracey Taylor	Phone: 60-786-7152	Date: 01/21/2025
Agency Preparation: Victor Crosetti	Phone: 60-534-1554	Date: 01/27/2025
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 01/27/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/01/2025

Request # 1506-1-1

## 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.*

#### CURRENT LAW:

Credit unions are exempt from business and occupation (B&O) tax on their gross income.

A credit union is a non-profit cooperative that accepts deposits, makes loans, and provides other financial services and products.

#### PROPOSAL:

If a credit union merges or acquires a bank regulated by the Department of Financial Institutions, it no longer qualifies for the exemption from B&O tax, and a new B&O tax rate of 1.2% applies.

#### EFFECTIVE DATE:

This bill takes effect on October 1, 2025. However, due to the time it will take to program this bill's changes, the Department of Revenue (department) cannot implement the bill until January 1, 2026.

### 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:

- No credit unions meet the definition of a specified financial institution, so the specified financial institution surcharge does not apply.
- Washington chartered credit unions attribute all their income to Washington.
- Two credit unions will be subject to this tax in fiscal year 2026. One additional credit union will become subject to this tax in each subsequent fiscal year.
- Based on credit unions acquiring or merging with a bank, a credit union's taxable income averages approximately \$185 million.
- The annual growth rate reflects the Economic and Revenue Forecast Council's November 2024 B&O forecast.
- The department implements this bill until January 1, 2026, impacting five months of collections in fiscal year 2026.

#### DATA SOURCES:

- Department of Revenue, Excise tax data fiscal year 2024
- National Credit Union Administration, Call Report data 2023
- Economic and Revenue Forecast Council, November 2024 B&O forecast
- Spokane Journal of Business. (2024, November 7). Credit unions acquire community banks at record pace. <https://www.spokanejournal.com/articles/16485-credit-unions-acquiring-community-banks>

#### REVENUE ESTIMATES:

This bill increases state revenues by an estimated \$2,000,000 in the five months of impacted collections in fiscal year 2026, and by \$7,700,000 in fiscal year 2027, the first full year of impacted collections.

#### TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2026 -	\$ 2,000
FY 2027 -	\$ 7,700

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FY 2028 - \$ 10,600  
 FY 2029 - \$ 13,900  
 FY 2030 - \$ 17,300  
 FY 2031 - \$ 21,100

Local Government, if applicable (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 legislation will affect 48 state-chartered credit unions should they merge or acquire a bank regulated by the Department of Financial Institutions (DFI).

**FIRST YEAR COSTS:**

The department will incur total costs of \$195,000 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 0.73 FTE.

- Set up, program, and test computer systems to create a new reporting line code and associated deductions.
- Create a special notice and update relevant information on the department’s website.
- Respond to data requests and questions, compile statistics, and manage data.

Object Costs - \$93,400.

- Contract computer system programming.

**SECOND YEAR COSTS:**

The department will incur total costs of \$14,200 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 0.1 FTE.

- Respond to data requests and questions, compile statistics, and manage data.

**ONGOING COSTS:**

There are no ongoing costs.

**Part III: Expenditure Detail**

**III. A - Expenditures by Object Or Purpose**

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.7	0.1	0.4		
A-Salaries and Wages	64,900	9,100	74,000		
B-Employee Benefits	23,400	3,300	26,700		
C-Professional Service Contracts	93,400		93,400		
E-Goods and Other Services	10,600	1,600	12,200		
J-Capital Outlays	2,700	200	2,900		
<b>Total \$</b>	<b>\$195,000</b>	<b>\$14,200</b>	<b>\$209,200</b>		

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

<b>Job Classification</b>	<b>Salary</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>2025-27</b>	<b>2027-29</b>	<b>2029-31</b>
EMS BAND 4	135,635	0.0		0.0		
IT B A-JOURNEY	94,728	0.3		0.2		
IT SYS ADM-JOURNEY	99,444	0.2		0.1		
MGMT ANALYST4	78,468	0.0		0.0		
TAX POLICY SP 2	80,460	0.0		0.0		
TAX POLICY SP 3	91,068	0.1	0.1	0.1		
TAX POLICY SP 4	98,040	0.0		0.0		
WMS BAND 2	101,410	0.0		0.0		
WMS BAND 3	115,352	0.0		0.0		
<b>Total FTEs</b>		0.7	0.1	0.4		

**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 expedited rulemaking process to amend WAC 458-20-146, titled: "National and state banks, mutual savings banks, savings and loan associations and other financial institutions." This rulemaking would affect a state-chartered credit union that merges or acquires a bank regulated by the DFI.





# Multiple Agency Ten-Year Analysis Summary

<b>Bill Number</b> 1506 HB	<b>Title</b> Credit union-bank merger/tax
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimated Cash Receipts

	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	Fiscal Year 2034	Fiscal Year 2035	2026-35 TOTAL
Department of Financial Institutions	0	0	0	0	0	0	0	0	0	0	0
Department of Revenue	2,000,000	7,700,000	10,600,000	13,900,000	17,300,000	21,100,000	25,100,000	29,400,000	34,100,000	39,100,000	200,300,000
<b>Total</b>	<b>2,000,000</b>	<b>7,700,000</b>	<b>10,600,000</b>	<b>13,900,000</b>	<b>17,300,000</b>	<b>21,100,000</b>	<b>25,100,000</b>	<b>29,400,000</b>	<b>34,100,000</b>	<b>39,100,000</b>	<b>200,300,000</b>



# Ten-Year Analysis

<b>Bill Number</b> 1506 HB	<b>Title</b> Credit union-bank merger/tax	<b>Agency</b> 102 Department of Financial Institutions
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											

Agency Preparation: Cale Zimmerman	Phone: (360) 902-0507	Date: 1/27/2025 3:56:34 pm
Agency Approval: Emily Fitzgerald	Phone: (360) 902-8780	Date: 1/27/2025 3:56:34 pm
OFM Review:	Phone:	Date:



# Ten-Year Analysis

<b>Bill Number</b> 1506 HB	<b>Title</b> Credit union-bank merger/tax	<b>Agency</b> 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

## Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	Fiscal Year 2034	Fiscal Year 2035	2026-35 TOTAL
Business and occupation tax	001	2,000,000	7,700,000	10,600,000	13,900,000	17,300,000	21,100,000	25,100,000	29,400,000	34,100,000	39,100,000	200,300,000
<b>Total</b>		<b>2,000,000</b>	<b>7,700,000</b>	<b>10,600,000</b>	<b>13,900,000</b>	<b>17,300,000</b>	<b>21,100,000</b>	<b>25,100,000</b>	<b>29,400,000</b>	<b>34,100,000</b>	<b>39,100,000</b>	<b>200,300,000</b>
<b>Biennial Totals</b>		<b>9,700,000</b>	<b>24,500,000</b>	<b>38,400,000</b>	<b>54,500,000</b>	<b>73,200,000</b>	<b>200,300,000</b>					

## Narrative Explanation (Required for Indeterminate Cash Receipts)

**CURRENT LAW:**  
Credit unions are exempt from business and occupation (B&O) tax on their gross income.

A credit union is a non-profit cooperative that accepts deposits, makes loans, and provides other financial services and products.

**PROPOSAL:**  
If a credit union merges or acquires a bank regulated by the Department of Financial Institutions, it no longer qualifies for the exemption from B&O tax, and a new B&O tax rate of 1.2% applies.

**EFFECTIVE DATE:**  
This bill takes effect on October 1, 2025. However, due to the time it will take to program this bill's changes, the Department of Revenue (department) cannot implement this bill until January 1, 2026.

**ASSUMPTIONS:**

- No credit unions meet the definition of a specified financial institution, so the specified financial institution surcharge does not apply.
- Washington chartered credit unions attribute all their income to Washington.



# Ten-Year Analysis

Bill Number	Title	Agency
1506 HB	Credit union-bank merger/tax	140 Department of Revenue

This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Narrative Explanation (Required for Indeterminate Cash Receipts)

- Two credit unions will be subject to this tax in fiscal year 2026. One additional credit union will become subject to this tax in each subsequent fiscal year.
- Based on credit unions acquiring or merging with a bank, a credit union's taxable income averages approximately \$185 million.
- The annual growth rate reflects the Economic and Revenue Forecast Council's November 2024 B&O forecast.
- The department implements this bill until January 1, 2026, impacting five months of collections in fiscal year 2026.

### DATA SOURCES:

- Department of Revenue, Excise tax data fiscal year 2024
- National Credit Union Administration, Call Report data 2023
- Economic and Revenue Forecast Council, November 2024 B&O forecast
- Spokane Journal of Business. (2024, November 7). Credit unions acquire community banks at record pace. <https://www.spokanejournal.com/articles/16485-credit-unions-acquiring-community-banks>

### REVENUE ESTIMATES:

This bill increases state revenues by an estimated \$2,000,000 in the five months of impacted collections in fiscal year 2026, and by \$7,700,000 in fiscal year 2027, the first full year of impacted collections.

### TOTAL REVENUE IMPACT:

#### State Government (cash basis, \$000):

FY 2026 -	\$ 2,000
FY 2027 -	\$ 7,700
FY 2028 -	\$ 10,600
FY 2029 -	\$ 13,900
FY 2030 -	\$ 17,300
FY 2031 -	\$ 21,100

Local Government, if applicable (cash basis, \$000): None

Agency Preparation: Victor Crosetti	Phone: 360-534-1554	Date: 1/27/2025 6:11:54 pm
Agency Approval: Marianne McIntosh	Phone: 360-534-1505	Date: 1/27/2025 6:11:54 pm
OFM Review:	Phone:	Date: