

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 1532 HB	<b>Title:</b> Sales tax sourcing impact
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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	170,000	170,000	170,000	260,000	260,000	260,000	280,000	280,000	280,000
<b>Total \$</b>	<b>170,000</b>	<b>170,000</b>	<b>170,000</b>	<b>260,000</b>	<b>260,000</b>	<b>260,000</b>	<b>280,000</b>	<b>280,000</b>	<b>280,000</b>

Agency Name	2025-27		2027-29		2029-31	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other		16,100,000		25,800,000		27,700,000
Local Gov. Total		16,100,000		25,800,000		27,700,000

## 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 Revenue	.6	138,500	138,500	138,500	.4	92,600	92,600	92,600	.4	92,600	92,600	92,600
<b>Total \$</b>	<b>0.6</b>	<b>138,500</b>	<b>138,500</b>	<b>138,500</b>	<b>0.4</b>	<b>92,600</b>	<b>92,600</b>	<b>92,600</b>	<b>0.4</b>	<b>92,600</b>	<b>92,600</b>	<b>92,600</b>

## Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
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

<b>Prepared by:</b> Megan Tudor, OFM	<b>Phone:</b> (360) 890-1722	<b>Date Published:</b> Final 2/ 4/2025
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 1532 HB	<b>Title:</b> Sales tax sourcing impact	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

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No Fiscal Impact

### Estimated Cash Receipts to:

Account	FY 2026	FY 2027	2025-27	2027-29	2029-31
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	50,000	120,000	170,000	260,000	280,000
<b>Total \$</b>	50,000	120,000	170,000	260,000	280,000

### Estimated Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.7	0.4	0.6	0.4	0.4
<b>Account</b>					
GF-STATE-State 001-1	92,200	46,300	138,500	92,600	92,600
<b>Total \$</b>	92,200	46,300	138,500	92,600	92,600

### 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:

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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.

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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.

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Requires new rule making, complete Part V.

Legislative Contact: Tracey Taylor	Phone: (360) 786-7152	Date: 01/23/2025
Agency Preparation: Beth Leech	Phone: (360) 534-1513	Date: 01/30/2025
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 01/30/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/04/2025

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## 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 a revision to the revenue impact, and replaces fiscal note number 1532-1.

#### CURRENT LAW:

Local governments can levy several local taxes designated for certain uses. All cities and counties implement regular/basic (regular) and optional local sales and use taxes at 0.5% rates for a total rate of 1.0%. Local governments are not restricted on how they use regular and optional local tax funds.

The Department of Revenue (department) collects most local sales and use taxes and distributes them monthly to local jurisdictions.

#### PROPOSAL:

This legislation allows authorized cities to impose new local sales and use taxes to improve the vitality of the community in the same manner that cities use general fund revenues. The tax rate can be up to 0.3% and is in addition to any other authorized taxes.

A city that authorizes the sales and use taxes must follow certain public processes each time it adopts a biennial budget.

An authorized city means a city:

- With a population greater than 120,000.
- Located in a county with a population of 1.5 million or more.
- With an assessed value from industrial and warehousing industries greater than 25% of the total assessed value of the city.

#### EFFECTIVE DATE:

This bill contains an emergency clause and takes effect immediately upon the governor's approval, However, due to the time it will take to program this bill's changes, the 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

- Any city that levies this local tax will do so at the maximum rate of 0.3%.
- The annual growth rate reflects the Economic and Revenue Forecast Council's November 2024 retail sales tax forecast.
- This legislation has no direct state revenue impact on taxes administered by the department, but the department would retain 1% of revenues for administrative costs of collecting the new local tax.
- The 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 two-month delay in revenue impacts for local jurisdictions.
- This proposal will be implemented on January 1, 2026, and impacts five months of state collections and four months of local collections in fiscal year 2026.

#### DATA SOURCES

- Department of Revenue, Excise tax data
- Office of Financial Management, Population of Cities, Towns and Counties, April 1, 2024
- Economic and Revenue Forecast Council, November 2024 forecast

## REVENUE ESTIMATES

This bill increases state revenues by an estimated \$50,000 in the five months of impacted collections in fiscal year 2026, and by \$120,000 in fiscal year 2027, the first full year of impacted collections.

This bill also increases local revenues by an estimated \$3.9 million in the four months of impacted collections in fiscal year 2026, and by \$12.2 million in fiscal year 2027, the first full year of impacted collections.

### TOTAL REVENUE IMPACT:

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

FY 2026 -	\$ 50
FY 2027 -	\$ 120
FY 2028 -	\$ 130
FY 2029 -	\$ 130
FY 2030 -	\$ 140
FY 2031 -	\$ 140

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

FY 2026 -	\$ 3,900
FY 2027 -	\$ 12,200
FY 2028 -	\$ 12,700
FY 2029 -	\$ 13,100
FY 2030 -	\$ 13,600
FY 2031 -	\$ 14,100

## 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 105,000 taxpayers.

### FIRST YEAR COSTS:

The department will incur total costs of \$92,200 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 0.7 FTE.

- Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Gathering requirements, attending implementation meetings, and documenting and testing system changes.

Object Costs - \$9,300.

- Computer system changes, including contract programming.

### SECOND YEAR COSTS:

The department will incur total costs of \$46,300 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 0.4 FTE.

- Process tax return work items, assist taxpayers with reporting questions, and respond to inquiries via email, web message, and paper correspondence.

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- Examine accounts and make corrections as necessary.
- Continued computer system testing, monitoring, and maintenance.

#### ONGOING COSTS:

Ongoing costs for the 2027-29 biennium equal \$92,600 and include similar activities described in the second-year costs. Time and effort equate to 0.4 FTE per year.

## 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	0.4	0.6	0.4	0.4
A-Salaries and Wages	51,400	29,400	80,800	58,800	58,800
B-Employee Benefits	18,500	10,600	29,100	21,200	21,200
C-Professional Service Contracts	9,300		9,300		
E-Goods and Other Services	10,200	5,500	15,700	11,000	11,000
J-Capital Outlays	2,800	800	3,600	1,600	1,600
<b>Total \$</b>	<b>\$92,200</b>	<b>\$46,300</b>	<b>\$138,500</b>	<b>\$92,600</b>	<b>\$92,600</b>

**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 2026	FY 2027	2025-27	2027-29	2029-31
EXCISE TAX EX 2	59,844	0.2	0.1	0.2	0.1	0.1
EXCISE TAX EX 3	66,012	0.2	0.1	0.2	0.1	0.1
EXCISE TAX EX 4	72,924	0.1	0.1	0.1	0.1	0.1
IT B A-JOURNEY	94,728	0.2	0.1	0.2	0.1	0.1
<b>Total FTEs</b>		<b>0.7</b>	<b>0.4</b>	<b>0.6</b>	<b>0.4</b>	<b>0.4</b>

### 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

<b>Bill Number:</b> 1532 HB	<b>Title:</b> Sales tax sourcing impact
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**Part I: Jurisdiction**—Location, type or status of political subdivision defines range of fiscal impacts.

**Legislation Impacts:**

- ☒ Cities: revenue increase
- ☐ Counties:
- ☐ Special Districts:
- ☒ Specific jurisdictions only: City of Kent
- ☐ 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 2026	FY 2027	2025-27	2027-29	2029-31
City	3,900,000	12,200,000	16,100,000	25,800,000	27,700,000
<b>TOTAL \$</b>	3,900,000	12,200,000	16,100,000	25,800,000	27,700,000
<b>GRAND TOTAL \$</b>	69,600,000				

**Estimated expenditure impacts to:**

None

**Part III: Preparation and Approval**

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 01/30/2025
Leg. Committee Contact: Tracey Taylor	Phone: 360-786-7152	Date: 01/23/2025
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/30/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/04/2025

## Part IV: Analysis

### A. SUMMARY OF BILL

*Description of the bill with an emphasis on how it impacts local government.*

This bill will allow a mitigation payment to expire July 1, 2026. The mitigation payment is from the state to a certain city with a high concentration of warehousing, manufacturing, and shipping businesses; consequently, the city experiences a negative impact to sales tax revenues due to sales sourcing laws.

This bill replaces the mitigation payment for a city with a new sales and use tax for the city. This bill allows the city to impose a local sales and use tax at a rate up to 0.3 percent of the selling price in the case of a sales tax, or a value of article used, in the case of a use tax.

A city using the authority shall engage in the following public process each time it adopts a biennial budget:

- (a) Hold a minimum of three town hall meetings within the city, each at a different geographical location and at a different time of the day, explaining the budget process and providing opportunities for community member dialogue;
- (b) Provide a webpage outlining the budget development process, the dates for scheduled budget hearings, and where to find budget information; and
- (c) Conduct a survey to solicit input on budget priorities.

### 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.*

According to the City of Kent, the city is currently engaged in the activities described in section 2 (4), which include holding town hall meetings explain the budget process, providing a webpage outlining budget processes and how the public can engage, and conducting a survey to solicit input on budget priorities. Therefore, they anticipate shifting current resources to meet the requirements of this bill. No additional costs are anticipated.

### 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.*

According to the Washington State Dept. of Revenue, this bill increases the City of Kent’s revenues by an estimated \$3.9 million in the four months of impacted collections in fiscal year 2026, and by \$12.2 million in fiscal year 2027, the first full year of impacted collections.

#### CITY REVENUE

FY 2026 -	\$ 3,900,000
FY 2027 -	\$ 12,200,000
FY 2028 -	\$ 12,700,000
FY 2029 -	\$ 13,100,000
FY 2030 -	\$ 13,600,000
FY 2031 -	\$ 14,100,000

#### SOURCES

Washington State Dept. of Revenue  
City of Kent