

Multiple Agency Fiscal Note Summary

Bill Number: 1805 HB	Title: Children services/local 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	290,000	290,000	290,000	450,000	450,000	450,000	490,000	490,000	490,000
Total \$	290,000	290,000	290,000	450,000	450,000	450,000	490,000	490,000	490,000

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		25,800,000		40,500,000		42,500,000
Local Gov. Total		25,800,000		40,500,000		42,500,000

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	1.2	335,400	335,400	335,400	.6	126,400	126,400	126,400	.4	92,600	92,600	92,600
Total \$	1.2	335,400	335,400	335,400	0.6	126,400	126,400	126,400	0.4	92,600	92,600	92,600

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
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Megan Tudor, OFM	Phone: (360) 890-1722	Date Published: Final 2/20/2025
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Department of Revenue Fiscal Note

Bill Number: 1805 HB	Title: Children services/local tax	Agency: 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	80,000	210,000	290,000	450,000	490,000
Total \$	80,000	210,000	290,000	450,000	490,000

Estimated Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	1.1	1.3	1.2	0.6	0.4
Account					
GF-STATE-State 001-1	180,300	155,100	335,400	126,400	92,600
Total \$	180,300	155,100	335,400	126,400	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).

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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: 02/03/2025
Agency Preparation: Diana Tibbetts	Phone: (360) 534-1520	Date: 02/06/2025
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 02/06/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/20/2025

Request # 1805-1-1

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:

Local governments can levy several local sales and use taxes designated for certain purposes. The Department of Revenue (department) collects most local sales and use taxes and distributes them monthly to local jurisdictions.

PROPOSAL:

This legislation allows counties to impose a new 0.01% local sales and use taxes to provide funding to provide additional services to assist children and their families, including:

- Child care.
- Maternity support services.
- School-based services that address mental, social, and physical health.
- Workforce capacity building.
- Shelter.
- Rental assistance.
- Client transportation.

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:

Urban counties will impose this new local tax. If all counties impose it, the tax will generate local revenues of \$24.6 million in fiscal year 2027.

- There is no direct impact on state revenues. However, the department will retain 1% for administration costs.
- The annual growth reflects the Economic and Revenue Forecast Council's November 2024 taxable retail sales forecast.
- The department will implement the local tax beginning January 1, 2026, impacting five months of state administration cost collections and four months of impacted local distributions in fiscal year 2026.

DATA SOURCES:

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, November 2024 forecast

REVENUE ESTIMATES:

This bill increases state revenues by an estimated \$80,000 in the five months of impacted collections in fiscal year 2026, and by \$210,000 in fiscal year 2027, the first full year of impacted collections.

This bill also increases local urban county revenues by an estimated \$6.3 million in the four months of impacted collections in fiscal year 2026, and by \$19.5 million in fiscal year 2027, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):
FY 2026 - \$ 80

FY 2027 - \$ 210
FY 2028 - \$ 220
FY 2029 - \$ 230
FY 2030 - \$ 240
FY 2031 - \$ 250

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

FY 2026 - \$ 6,300
FY 2027 - \$ 19,500
FY 2028 - \$ 20,000
FY 2029 - \$ 20,500
FY 2030 - \$ 21,000
FY 2031 - \$ 21,500

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.

FIRST YEAR COSTS:

The department will incur total costs of \$180,300 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 1.1 FTEs.

- Set up, program, and test computer system changes.
- Respond to data requests and questions, compile statistics, and manage data.
 - 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 - \$37,300.

- Computer system changes, including contract programming.

SECOND YEAR COSTS:

The department will incur total costs of \$155,100 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 1.3 FTEs.

- Respond to data requests and questions, compile statistics, and manage data.
 - 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.
- Continued computer system testing, monitoring, and maintenance.

ONGOING COSTS:

Ongoing costs for the 2027-29 biennium equal \$126,400 and include similar activities described in the second-year costs. Time and effort equate to 0.55 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	1.1	1.3	1.2	0.6	0.4
A-Salaries and Wages	89,900	98,000	187,900	80,200	58,800
B-Employee Benefits	32,400	35,300	67,700	28,900	21,200
C-Professional Service Contracts	37,300		37,300		
E-Goods and Other Services	16,300	18,500	34,800	15,200	11,000
J-Capital Outlays	4,400	3,300	7,700	2,100	1,600
Total \$	\$180,300	\$155,100	\$335,400	\$126,400	\$92,600

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 2026	FY 2027	2025-27	2027-29	2029-31
EXCISE TAX EX 2	59,844	0.2	0.4	0.3	0.2	0.1
EXCISE TAX EX 3	66,012	0.2	0.3	0.3	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	0.3	0.4	0.4	0.2	0.1
IT SYS ADM-JOURNEY	99,444	0.2		0.1		
TAX POLICY SP 3	91,068	0.1	0.1	0.1		
Total FTEs		1.1	1.3	1.2	0.6	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

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1805 HB	Title: Children services/local tax
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☐ Cities:
- ☒ Counties: revenue increase
- ☐ Special Districts:
- ☐ 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 2026	FY 2027	2025-27	2027-29	2029-31
County	6,300,000	19,500,000	25,800,000	40,500,000	42,500,000
TOTAL \$	6,300,000	19,500,000	25,800,000	40,500,000	42,500,000
GRAND TOTAL \$	108,800,000				

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Angie Hong	Phone: 360-725-5041	Date: 02/07/2025
Leg. Committee Contact: Tracey Taylor	Phone: 360-786-7152	Date: 02/03/2025
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 02/07/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/20/2025

Part IV: Analysis

A. SUMMARY OF BILL

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

This bill creates a new local sales and use tax (at 0.01%) for counties to impose in order to provide additional services to assist children and their families, including: child care, maternity support services, school-based services that address mental, social, and physical health, workforce capacity building, shelter, rental assistance, and client transportation.

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.

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.

The Washington State Dept. of Revenue assumes that urban counties will impose this new local tax. If all counties impose it, the tax will generate local revenues of \$24.6 million in fiscal year 2027.

This bill increases local urban county revenues by an estimated \$6.3 million in the four months of impacted collections in fiscal year 2026, and by \$19.5 million in fiscal year 2027, the first full year of impacted collections.

COUNTIES

FY 2026 -	\$ 6,300,000
FY 2027 -	\$ 19,500,000
FY 2028 -	\$ 20,000,000
FY 2029 -	\$ 20,500,000
FY 2030 -	\$ 21,000,000
FY 2031 -	\$ 21,500,000

SOURCES

Washington State Dept. of Revenue