

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5383 SB	<b>Title:</b> Salmon recovery projects/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	(78,000,000)	(78,000,000)	(78,130,000)	(120,000,000)	(120,000,000)	(120,190,000)	(130,000,000)	(130,000,000)	(130,210,000)
<b>Total \$</b>	<b>(78,000,000)</b>	<b>(78,000,000)</b>	<b>(78,130,000)</b>	<b>(120,000,000)</b>	<b>(120,000,000)</b>	<b>(120,190,000)</b>	<b>(130,000,000)</b>	<b>(130,000,000)</b>	<b>(130,210,000)</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		(33,957,000)		(54,747,000)		(59,400,000)
Local Gov. Total		(33,957,000)		(54,747,000)		(59,400,000)

## 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	3.2	923,700	923,700	923,700	1.3	231,500	231,500	231,500	1.1	200,800	200,800	200,800
<b>Total \$</b>	<b>3.2</b>	<b>923,700</b>	<b>923,700</b>	<b>923,700</b>	<b>1.3</b>	<b>231,500</b>	<b>231,500</b>	<b>231,500</b>	<b>1.1</b>	<b>200,800</b>	<b>200,800</b>	<b>200,800</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 2/27/2025
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# Department of Revenue Fiscal Note

<b>Bill Number:</b> 5383 SB	<b>Title:</b> Salmon recovery projects/tax	<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	(22,000,000)	(56,000,000)	(78,000,000)	(120,000,000)	(130,000,000)
Performance Audits of Government Account-State 01 - Taxes 01 - Retail Sales Tax	(40,000)	(90,000)	(130,000)	(190,000)	(210,000)
<b>Total \$</b>	(22,040,000)	(56,090,000)	(78,130,000)	(120,190,000)	(130,210,000)

### Estimated Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	3.4	2.9	3.2	1.3	1.1
<b>Account</b>					
GF-STATE-State 001-1	560,800	362,900	923,700	231,500	200,800
<b>Total \$</b>	560,800	362,900	923,700	231,500	200,800

### 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:

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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: Tianyi Lan	Phone: (360) 786-7432	Date: 01/21/2025
Agency Preparation: Erin Valz	Phone: (360) 534-1522	Date: 01/24/2025
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 01/24/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/27/2025

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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.*

#### CURRENT LAW:

Sales and use taxes generally apply to the construction of salmon recovery projects.

#### PROPOSAL:

This bill creates a sales and use taxes exemption for the following:

- Labor and services on the construction of a qualified salmon recovery project.
- The installation of equipment or property incorporated into a qualified salmon recovery project.
- Building materials, equipment, and property incorporated in a qualified salmon recovery project.

To obtain the exemption, the qualified salmon recovery project sponsor must apply to the Department of Revenue (department) for an exemption certificate. The exemption certificate expires on the date the project is certified operationally complete by the qualified salmon recovery project.

The bill defines a "qualified salmon recovery project" as a project with the goal of increasing salmon and steelhead stocks. This includes the construction, restoration, or improvement of habitat, hatchery facilities, and fish barrier removal or replacement, as well as land acquisition and easements.

The bill defines a "qualified salmon recovery project sponsor" as any private, public, or tribal entity engaging in the construction or rehabilitation of a qualified salmon recovery project for which they received state funding.

A qualified salmon recovery project sponsor must pay any sales or use taxes due within 60 days of the expiration of the exemption certificate. The department may not assess any penalties or interest on the amount due if paid within the 60-day period. The department may require the qualified salmon recovery project sponsor to periodically submit documentation to allow the department to track the total amount of exempted sales and use taxes.

#### EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session. 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:

- State and federal agencies fund most qualified salmon recovery projects.
- This fiscal note may underestimate the total impact because other funding sources may exist.
- Other Washington State agencies awarding grants will educate taxpayers about the exemption. As a result, assume high compliance.
- Local revenue estimates use the statewide average local sales and use taxes rate of 3%.
- 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 one-month delay in revenues for the state and a two-month delay in revenues for local jurisdictions.
- This legislation takes effect January 1, 2026, and impacts five months of state collections and four months of local collections in fiscal year 2026.
- Currently, tribes with compacts receive a share of state sales and use taxes and certain business and occupation taxes

(RCW 43.06.523). Additionally, local governments may also receive a portion of state sales and use tax. Under this legislation, the amount of revenue shared with tribes and local governments may decrease.

- The annual growth rate reflects the Economic and Revenue Forecast Council's November 2024 sales and use taxes forecast.

#### POTENTIAL LITIGATION:

Legislation creating new exemptions and deferrals for construction projects presents a risk the federal government or federal contractors will seek to re-litigate Washington v. United States. This risk increases with each additional exemption or deferral the state enacts.

The department's legal counsel at the Attorney General's Office opined that the federal contractor risk applies to all exemptions and deferrals of construction activity, not just construction projects of the type the federal government is likely to engage in. It also applies even if the exemption or deferral applies to federal construction projects as well as non-federal construction projects.

Sales or use tax exemptions pose the greatest legal risk because they plainly treat the beneficiaries of the exemption more favorably than federal contractors. Sales or use tax deferrals also pose a significant legal risk. Each such exemption or deferral increases the likelihood the federal government or federal contractors will seek to re-litigate Washington v. United States claiming Washington now discriminates against federal contractors.

If a legal challenge to a deferral or exemption was successful, in addition to lost future revenues, Washington would potentially owe refunds for taxes paid by impacted federal contractors during the statutory period (current year plus four previous years). Each year the department collects approximately \$90 million from federal government contracting. If a court decision included refunds, the revenue impact could reach nearly \$500 million.

#### DATA SOURCES:

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, November 2024 forecast
- Washington Department of Transportation
- Washington Recreation and Conservation Office
- Washington Department of Ecology
- Washington Department of Fish and Wildlife
- Washington Department of Natural Resources
- U.S. Environmental Protection Agency
- U.S. Census Bureau
- U.S. Department of the Interior
- Congressional Research Service
- Statistics of Income - Tax Stats - Charities & Other Tax-Exempt Organizations

#### REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$22 million in the five months of impacted collections in fiscal year 2025, and by \$56.1 million in fiscal year 2026, the first full year of impacted collections.

This bill decreases local revenues by an estimated \$8.3 million in the four months of impacted collections in fiscal year 2025, and by \$26 million in fiscal year 2026, the first full year of impacted collections.

**TOTAL REVENUE IMPACT:**

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

FY 2026 - (\$ 22,040)  
FY 2027 - (\$ 56,090)  
FY 2028 - (\$ 59,090)  
FY 2029 - (\$ 61,100)  
FY 2030 - (\$ 64,100)  
FY 2031 - (\$ 66,110)

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

FY 2026 - (\$ 8,300)  
FY 2027 - (\$ 26,000)  
FY 2028 - (\$ 27,100)  
FY 2029 - (\$ 28,200)  
FY 2030 - (\$ 29,400)  
FY 2031 - (\$ 30,600)

**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 bill affects 90,000 taxpayers performing construction services or selling building materials for projects.

**FIRST YEAR COSTS:**

The department will incur total costs of \$560,800 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 3.42 FTEs.

- Set up, program and test computer system changes.
- Create special notice and update relevant information on the department's website.
- Process applications and issue exemption certificates.
- 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.
- Answer additional phone calls and counter inquiries from businesses, individuals, and accountants regarding tax questions and tax return preparation.
- Meet with tribes with revenue-sharing compact agreements to discuss changes that would be appropriate to preserve the intended benefits of the negotiated compact.
- Respond to data requests and questions, compile statistics, and manage data.
- Adopt one administrative rule.
- Amend one excise tax advisory (ETA).

Object Costs - \$158,400.

- Computer system changes, including contract programming.
- Purchase one additional agent seat license for the Telephone Information Center
- Print and mail exemption certificates.
- Travel expenses for meetings with compacting tribes.

## SECOND YEAR COSTS:

The department will incur total costs of \$362,900 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 2.9 FTEs.

- Process applications and issue exemption certificates.
- 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.
- Answer additional phone calls and counter inquiries from businesses, individuals, and accountants regarding tax questions and tax return preparation.
- Meet with tribes with revenue-sharing compact agreements to discuss changes that would be appropriate to preserve the intended benefits of the negotiated compact.
- Respond to data requests and questions, compile statistics, and manage data.

Object Costs - \$39,700.

- Print and mail exemption certificates.
- Travel expenses for meetings with compacting tribes.

## ONGOING COSTS:

Ongoing costs for the 2027-29 biennium equal \$231,500 and include similar activities described in the second-year costs. Time and effort equate to 1.25 FTEs.

## Part III: Expenditure Detail

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

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	3.4	2.9	3.2	1.3	1.1
A-Salaries and Wages	249,500	204,000	453,500	141,200	122,000
B-Employee Benefits	89,900	73,500	163,400	50,800	43,800
C-Professional Service Contracts	116,700		116,700		
E-Goods and Other Services	52,100	40,800	92,900	34,900	30,800
G-Travel	39,100	39,100	78,200		
J-Capital Outlays	13,500	5,500	19,000	4,600	4,200
<b>Total \$</b>	<b>\$560,800</b>	<b>\$362,900</b>	<b>\$923,700</b>	<b>\$231,500</b>	<b>\$200,800</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
EMS BAND 4	135,635	0.0		0.0		
EMS BAND 5	158,451	0.0		0.0		
EXCISE TAX EX 2	59,844	0.3	0.3	0.3	0.3	0.2
EXCISE TAX EX 3	66,012	0.4	0.4	0.4	0.4	0.3
IT B A-JOURNEY	94,728	0.2		0.1		
IT SYS ADM-JOURNEY	99,444	0.1		0.1		
MGMT ANALYST4	78,468	0.3	0.3	0.3		
TAX INFO SPEC 1	47,988	1.0	1.0	1.0	0.5	0.5
TAX INFO SPEC 2	51,588	0.1	0.1	0.1	0.1	0.1
TAX POLICY SP 2	80,460	0.1		0.0		
TAX POLICY SP 3	91,068	0.2	0.1	0.2		
TAX POLICY SP 4	98,040	0.4	0.4	0.4		
WMS BAND 2	101,410	0.0		0.0		
WMS BAND 3	115,352	0.3	0.3	0.3		
<b>Total FTEs</b>		<b>3.4</b>	<b>2.9</b>	<b>3.2</b>	<b>1.3</b>	<b>1.1</b>

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**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 standard process to adopt WAC 458-20-NEW, titled: "Salmon recovery project and grants." This rulemaking would affect taxpayers involved in qualified salmon recovery projects.

# LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

<b>Bill Number:</b> 5383 SB	<b>Title:</b> Salmon recovery projects/tax
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**Part I: Jurisdiction**—Location, type or status of political subdivision defines range of fiscal impacts.

**Legislation Impacts:**

- ☒ Cities: decrease in sales tax revenue
- ☒ Counties: decrease in sales tax revenue
- ☒ Special Districts: decrease in sales tax revenue
- ☐ 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
City	(2,479,069)	(7,765,758)	(10,244,827)	(16,517,170)	(17,920,980)
County	(3,056,724)	(9,575,280)	(12,632,004)	(20,365,884)	(22,096,800)
Special District	(2,681,207)	(8,398,962)	(11,080,169)	(17,863,946)	(19,382,220)
<b>TOTAL \$</b>	(8,217,000)	(25,740,000)	(33,957,000)	(54,747,000)	(59,400,000)
<b>GRAND TOTAL \$</b>	(148,104,000)				

**Estimated expenditure impacts to:**

None

**Part III: Preparation and Approval**

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 01/27/2025
Leg. Committee Contact: Tianyi Lan	Phone: 360-786-7432	Date: 01/21/2025
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/27/2025
OFM Review: Megan Tudor	Phone: (360) 890-1722	Date: 02/27/2025



## Part IV: Analysis

### A. SUMMARY OF BILL

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

This bill creates a sales and use taxes exemption for labor and services on the construction of a qualified salmon recovery project, the installation of equipment or property incorporated into a qualified salmon recovery project, and the building materials, equipment, and property incorporated in a qualified salmon recovery project.

### 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 would not impact local government expenditures because no action is required.

### 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 sales and use tax exemption created by this bill would decrease local government tax revenue.

According to the Department of Revenue (DOR) this bill would decrease local revenues by an estimated \$8.3 million in the four months of impacted collections in fiscal year 2025, and by \$26 million in fiscal year 2026, the first full year of impacted collections. Please see the DOR fiscal note for a complete list of their data sources and assumptions.

#### TAX REVENUE LOSS BREAKDOWN

Counties:

FY 2026	-\$3,056,724
FY 2027	-\$9,575,280
FY 2028	-\$9,980,388
FY 2029	-\$10,385,496
FY 2030	-\$10,827,432
FY 2031	-\$11,269,368

Cities:

FY 2026	-\$2,479,069
FY 2027	-\$7,765,758
FY 2028	-\$8,094,309
FY 2029	-\$8,422,861
FY 2030	-\$8,781,280
FY 2031	-\$9,139,700

Special Districts:

FY 2026	-\$2,681,207
FY 2027	-\$8,398,962
FY 2028	-\$8,754,303
FY 2029	-\$9,109,643
FY 2030	-\$9,497,288
FY 2031	-\$9,884,932

#### 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 2023. Distributions in 2023 were 37.20 percent to counties, 30.17 percent to cities, and

32.63 percent to special districts. A one percent DOR administrative fee has been deducted from the total.

SOURCES:

Department of Revenue Fiscal Note, SB 5383 (2025)

Department of Revenue Local Tax Distributions (2023)

Local Government Fiscal Note program, Local Sales Tax model (2025)

Local Government Fiscal Note Program “Sales and Use Tax Distribution Model” (2025)