

Multiple Agency Fiscal Note Summary

Bill Number: 5796 SB	Title: Payroll expense 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
Office of Attorney General	0	0	462,000	0	0	1,146,000	0	0	1,067,000
Office of Financial Management	0	0	65,000	0	0	0	0	0	0
Office of Administrative Hearings	0	0	176,000	0	0	494,000	0	0	430,000
Employment Security Department	4,196,000,000	4,196,000,000	4,196,000,000	4,964,000,000	4,964,000,000	4,964,000,000	5,319,000,000	5,319,000,000	5,319,000,000
Total \$	4,196,000,000	4,196,000,000	4,196,703,000	4,964,000,000	4,964,000,000	4,965,640,000	5,319,000,000	5,319,000,000	5,320,497,000

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	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

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
Administrative Office of the Courts	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Office of Attorney General	1.6	0	0	462,000	3.5	0	0	1,146,000	3.3	0	0	1,067,000
Office of Financial Management	.0	0	0	65,000	.0	0	0	0	.0	0	0	0
Office of Administrative Hearings	.6	0	0	176,000	1.6	0	0	494,000	1.4	0	0	430,000
Department of Revenue	.0	0	0	0	.0	0	0	0	.0	0	0	0
University of Washington	.0	26,400,000	26,400,000	38,400,000	.0	26,400,000	26,400,000	38,400,000	.0	26,400,000	26,400,000	38,400,000
Employment Security Department	34.1	20,276,375	20,276,375	20,276,375	25.7	10,776,614	10,776,614	10,776,614	25.1	10,480,818	10,480,818	10,480,818
SWF Statewide Fiscal Note - OFM	.0	7,764,000	7,764,000	24,704,000	.0	7,746,000	7,746,000	24,632,000	.0	7,746,000	7,746,000	24,632,000
Total \$	36.3	54,440,375	54,440,375	84,083,375	30.8	44,922,614	44,922,614	75,448,614	29.8	44,626,818	44,626,818	75,009,818

Agency Name	2025-27			2027-29			2029-31		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Loc School dist-SPI			3,482,954			6,965,908			6,965,908
Loc School dist-SPI	SEE SDF-Local School District Fiscal Note								
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total			3,482,954			6,965,908			6,965,908

Estimated Capital Budget Expenditures

Agency Name	2025-27			2027-29			2029-31		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Administrative Office of the Courts	.0	0	0	.0	0	0	.0	0	0
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Office of Financial Management	.0	0	0	.0	0	0	.0	0	0
Office of Administrative Hearings	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
University of Washington	.0	0	0	.0	0	0	.0	0	0
Employment Security Department	.0	0	0	.0	0	0	.0	0	0
SWF Statewide Fiscal Note - OFM	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2025-27			2027-29			2029-31		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Loc School dist-SPI	SEE SDF-Local School District Fiscal Note								
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.								
Local Gov. Total									

Estimated Capital Budget Breakout

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Prepared by: Anna Minor, OFM	Phone: (360) 790-2951	Date Published: Revised 4/18/2025
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Judicial Impact Fiscal Note

Bill Number: 5796 SB	Title: Payroll expense tax	Agency: 055-Administrative Office of the Courts
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The revenue and expenditure estimates on this page represent the most likely fiscal impact. Responsibility for expenditures may be subject to the provisions of RCW 43.135.060.

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 for 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.

Legislative Contact: Alia Kennedy	Phone: 360-786-7405	Date: 03/20/2025
Agency Preparation: Chris Conn	Phone: 360-704-5512	Date: 03/26/2025
Agency Approval: Chris Stanley	Phone: 360-357-2406	Date: 03/26/2025
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 03/31/2025

205,778.00

Request # 322-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact on the Courts

This bill adopts “Payroll Expense Tax Act” as a new RCW title and chapter to raise revenue to support public schools and other essential services by imposing a tax on covered employers’ payroll expenses in excess of Social Security wage threshold beginning 7/1/2026.

II. B - Cash Receipts Impact

None

II. C - Expenditures

Indeterminate. The Administrative Office of the Courts (AOC) has no data available to estimate the potential costs associated with this bill. AOC would need information supplied by the commissioner of the Employee Security Department to calculate the potential costs.

Part III: Expenditure Detail

III. A - Expenditure By Object or Purpose (State)

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditure By Object or Purpose (County)

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. C - Expenditure By Object or Purpose (City)

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. D - FTE Detail

NONE

III. E - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B1 - Expenditures by Object Or Purpose (State)

NONE

IV. B2 - Expenditures by Object Or Purpose (County)

NONE

IV. B3 - Expenditures by Object Or Purpose (City)

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

205,778.00

Form FN (Rev 1/00)

None

205,778.00

Form FN (Rev 1/00)

Request # 322-1

Bill # 5796 SB

Individual State Agency Fiscal Note

Bill Number: 5796 SB	Title: Payroll expense tax	Agency: 100-Office of Attorney General
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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
Legal Services Revolving Account-State 405-1	29,000	433,000	462,000	1,146,000	1,067,000
Total \$	29,000	433,000	462,000	1,146,000	1,067,000

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.3	2.8	1.6	3.5	3.3
Account					
Legal Services Revolving Account-State 405-1	29,000	433,000	462,000	1,146,000	1,067,000
Total \$	29,000	433,000	462,000	1,146,000	1,067,000

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: Alia Kennedy	Phone: 360-786-7405	Date: 03/20/2025
Agency Preparation: Amy Flanigan	Phone: 509-456-3123	Date: 03/25/2025
Agency Approval: Leah Snow	Phone: 360-586-2104	Date: 03/25/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 03/31/2025

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.

Section 1: New Section. Legislative Intent.

Section 2: New Section: Definitions.

Section 3: New Section. Payroll Expense Tax. Establishes payroll expense tax on all employers engaged in business in the state starting July 1, 2026. Sets forth how the tax is calculated and how it is remitted. The Employment Security Department (ESD) Commissioner to set an amount excluded from tax equal to maximum wages subject to taxation for social security. Tax is imposed on employers; employers may not deduct from employee wages to pay this tax.

Section 4: New Section. Exemption. Exemption for employer with total employee wages equal to or less than \$7 million for the prior calendar year.

Section 5: New Section. Credit. Permits a credit and sets out how to calculate credit for an eligible city payroll tax expense paid by an employer. Section sets out how to determine the amount of the credit as well as other rules for the credit.

Section 6: New Section. Employer Requirements. Requires employers to remit reports to ESD and collect and remit taxes as required. Sets out records retention rules, but records are confidential and not open to the public for inspection. However, public official acting in a public capacity may inspect the records. Requires ESD to enforce the collection of taxes through conference and conciliation before issuing warning letters.

Section 7: New Section. Employer Penalties. Sets out rules and amounts for penalties for noncompliance. Penalties are deposited into general fund. Starting January 1, 2027, the ESD shall enforce the collection of penalties. Penalties may be appeals as provided in this chapter.

Section 8: New Section. Delinquency – Accrual of Interest – Any unpaid taxes will accrue interest at the rate of one percent per month until paid.

Section 9: New Section. Termination or Disposal of Business – Tax Payment – Successor liability. Sets out rules for how taxes are handled when a business is sold or exchanged. When an employer disposes of their business any taxes are immediately due and must be paid within 10 days. Any person who becomes a successor is liable for the amount of taxes and withhold from the purchase price an amount sufficient to pay the taxes until the successor receives a receipt from the ESD that the taxes are paid. The Successor becomes liable if the taxes are not paid within 10 days.

Section 10: New Section. Delinquency – Order and notice of assessment. Sets out when and how ESD commissioner can issue order of assessment for unpaid taxes.

Section 11: New Section. Jeopardized collection – Immediate assessment. Sets our rules for ESD commissioner to be able to issue an immediate assessment and proceed to collection if employer is believed to be insolvent.

Section 12: New Section. Collection by Distraint, Seizure and Sale. If the amount of tax, interest, or penalties assessed by the ESD commissioner by order and notice of assessment provided in this chapter is not paid within 10 days after the service or mailing of the order and notice of assessment, the ESD commissioner or commissioner's duly authorized representative may collect the amount distraint, seizure or sale.

Section 13: New Section. Collection by Distraint, Seizure or Sale Procedure. Sets out how the ESD commissioner can seize property, requirements for an inventory, and specify time and place when property will be sold. Also sets out posting and timing requirements for the sale. Sets out requirement for the public auction and pricing of items and the requirements for a bill of sale or deed. Set out how to apply proceeds to the past due amounts.

Section 14: New Section. Notice and Order to Withhold and Deliver. The ESD commissioner may issue a notice and order to withhold and deliver property when the commissioner has reason to believe that the entity receiving such property has received a notice and order of assessment for tax, interest, or penalties from the ESD. Sets out rules regarding the notice and answers to the notice.

Section 15: New Section. Warrant for assessment. When an order and notice of assessment or jeopardy assessment has become final the ESD commissioner may file with the clerk of any county a warrant in the amount of the notice of assessment plus interest, penalties, and a filing fee under RCW 36.18.012(10). Sets out direction to court clerks to assign a cause number and that the amount of the warrant shall become a lien upon the title to the property named in the warrant.

Section 16: New Section. Liens. Permits the ESD to file a lien that has priority over all other liens or claims. Sets out requirements for ESD in filing a lien. Sets out other rules regarding the lien.

Section 17: New Section. Liens- Insolvency, Dissolution or Distribution of assets. In the event of any distribution of an employer's assets pursuant to an order of any court, ESD can obtain a priority lien for unpaid assessments. Also addresses how to handle this situation in a bankruptcy.

Section 18: New Section. Civil Action, Service of Process. Permits ESD to bring a civil action for defaults on unpaid assessments. Also allows for the foreclosure of a lien. Sets out service of process for such suits.

Section 19: New Section. Injunction from continuing in business. Any employer who is delinquent in the payment of tax, interest, or penalties may be enjoined from continuing in business in this state or employing persons herein until the delinquent tax, interest, and penalties have been paid, or until the employer has furnished a good and sufficient bond.

Section 20: New Section. Compromise of Claims. Allows ESD commissioner to settle claims when good cause exists.

Section 21: New Section. Uncollectable Accounts. Allows ESD commissioner to charge off as uncollectible delinquent tax, interest, penalties, if there are no cost-effective means of collecting the tax.

Section 22: New Section. Generally. Appeal procedure for aggrieved parties. ESD Commissioner to request assignment of an administrative law judge (ALJ) under chapter 34.12 RCW to conduct a hearing in according with chapter 34.05 RCW and issue a proposed order.

Section 23: New Section. Assessments. Allows and employer 30 days to file an appeal of an order and notice of assessment with the ESD. Employer must set for reasons for its objection. If no appeal if filed, the assessment is deemed just. Sets out an exception for a jeopardy assessment. Filing of an appeal stays the distraint and sale proceedings but does not affect the right of the ESD commissioner to perfect a lien.

Section 24: New Section. When deemed filed and received. Sets out procedures when an appeal is deemed filed.

Section 25: New Section. Assessments Procedure. ALJ shall afford parties a reasonable opportunity for hearing and notify parties of decision.

Section 26: New Section. Hearing Procedure.

Section 27: New Section. ESD Commissioner Review – Initiation. After the ALJ issues an order, the ESD commissioner may initiate a review within 30 days of the order.

Section 28: New Section. ESD Commissioner Review – Procedure.

Section 29: New Section. ESD Commissioner Review – When final.

Section 30: New Section. Applicability of Findings.

Section 31: New Section. Waiver of time limits can be made for good cause.

Section 32: New Section. Judicial review is permitted.

Section 33: New Section. Judicial review procedure.

Section 34: New Section. Remedies in this chapter for determine justness of assessments are exclusive.

Section 35: New Section. All funds collected under this chapter are deposited into the general fund.

Section 36: New Section. ESD is exempt from chapter 39.26 RCW until October 1, 2026, for implanting this act.

Section 37: New Section. Permits rulemaking.

Section 38: New Section. Names act payroll expense tax act.

Section 39: New Section. Severability clause.

Section 40: New Section. Sections 1 through 38 of this act are a new title to be codified as Title 50C RCW.

Section 41: New Section. This act is necessary for the support of state government.

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.

Cash receipts are assumed to equal the Legal Services Revolving Account (LSRA) cost estimates. These will be billed through the revolving account to the client agency.

The client agency is the Employment Security Department (ESD). The Attorney General's Office (AGO) will bill all clients for legal services rendered.

These cash receipts represent the AGO's authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agency's fiscal note. Appropriation authority is necessary in the AGO budget.

AGO AGENCY ASSUMPTIONS:

ESD will be billed for non-King County rates:

FY 2026: \$29,000 for 0.1 Assistant Attorney General FTE (AAG) and 0.1 Paralegal 1 FTE (PL1)

FY 2027: \$433,000 for 1.3 AAG, 0.7 PL1, and 0.3 Paralegal 2 FTE (PL2) which includes \$31,000 of direct costs

FY 2028 to FY 2030: \$573,000 for 1.7 AAG, 0.9 PL1, and 0.3 PL2 which includes \$43,000 of direct costs

FY 2031: \$494,000 for 1.5 AAG, 0.8 PL1, and 0.3 PL2 which includes \$32,000 of direct costs

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.

Attorney General's Office (AGO) Agency Assumptions:

Legal services associated with the enactment of this bill will begin on January 1, 2026 (FY 2026).

Location of staffing is assumed to be in a non-King County office building.

Total workload impact in this request includes standard assumption costs for goods & services, travel, and capital outlays for all FTE identified.

Agency administration support FTE are included in the tables. The Management Analyst 5 FTE (MA) is used as a representative classification. An example ratio is for every 1.0 Assistant Attorney General FTE (AAG), the AGO includes 0.5 Paralegal 1 FTE (PL1) and 0.4 MA.

1. Assumptions for the AGO Licensing & Administrative Law Division (LAL) for legal services for the Employment Security Department (ESD):

The AGO will bill ESD for legal services based on the enactment of this bill. In FY 2026 and FY 2027, ESD anticipates engaging in rulemaking (authorized in Section 37), communication and outreach to implement provisions of the bill. LAL anticipates providing legal advice to ESD on rulemaking and other aspects of bill implementation, including vendor contract procurement and management, review of key public communications, privacy and confidentiality advice, and development and review of operational processes. AGO anticipates legal advice related to implementation would require 180 AAG hours in FY 2026 and FY 2027 and 40 AAG hours of continuing advice in FY 2028 and each FY thereafter. ESD anticipates that the enactment of this bill will result in ESD issuing orders and notices of assessment for unpaid taxes, penalties and interest. (Section 7) ESD also anticipates making determinations related to exemptions from the law (Section 4) and credits for city payroll taxes paid (Section 5). Each of these determinations is appealable by an aggrieved party. ESD anticipates an initial 80 percent referral rate of appeals to the AGO for representation in hearings at the Office of Administrative Hearings (OAH) and in court, based on orders and notices of assessment under Section 7 and exemption or credit determinations under Section 4 and 5. This is expected to result in 62 appeals to the AGO in FY 2027 and 86 appeals per year in FY 2028 through FY 2030. In FY 2031 ESD anticipates a 60 percent appeal rate to the AGO resulting in 64 appeals. The other appeals not referred to the AGO for representation at hearing will be resolved by agency staff. Each appeal referred to the AGO for hearing is anticipated to result in an average of 40 AAG hours, for prehearing conferences, discovery, motions, prehearing briefing, oral argument, exhibit submission, witness examination, post hearing briefing, and client communications.

LAL workload hours:

FY 2026: 180 AAG hours

FY 2027: 2,260 AAG hours and 400 Paralegal 2 FTE (PL2) hours

FY 2028 to FY 2030: 3,000 AAG hours and 480 PL2 hours

FY 2031: 2,600 AAG hours and 480 PL2 hours

LAL total non-King County workload impact:

FY 2026: \$29,000 for 0.1 AAG and 0.1 PL1

FY 2027: \$433,000 for 1.3 AAG, 0.7 PL1, and 0.3 PL2 which includes \$31,000 of direct costs

FY 2028 to FY 2030: \$573,000 for 1.7 AAG, 0.9 PL1, and 0.3 PL2 which includes \$43,000 of direct costs

FY 2031: \$494,000 for 1.5 AAG, 0.8 PL1, and 0.3 PL2 which includes \$32,000 of direct costs

2. The AGO Revenue Division (REV) has reviewed this bill and determined it will not increase or decrease the division's workload in representing the Department of Revenue (DOR) because this tax will be administered by ESD. Should ESD rely on assistance from DOR to help implement this tax, any legal questions that arise will be minimal. Therefore, no costs are included in this request.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
405-1	Legal Services Revolving Account	State	29,000	433,000	462,000	1,146,000	1,067,000
Total \$			29,000	433,000	462,000	1,146,000	1,067,000

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.3	2.8	1.6	3.5	3.3
A-Salaries and Wages	20,000	273,000	293,000	720,000	673,000
B-Employee Benefits	6,000	83,000	89,000	220,000	206,000
E-Goods and Other Services	3,000	74,000	77,000	200,000	182,000
G-Travel		3,000	3,000	6,000	6,000
Total \$	29,000	433,000	462,000	1,146,000	1,067,000

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 2026	FY 2027	2025-27	2027-29	2029-31
Assistant Attorney General	132,912	0.1	1.3	0.7	1.7	1.6
Management Analyst 5	98,040	0.1	0.5	0.3	0.6	0.6
Paralegal 1	71,148	0.1	0.7	0.4	0.9	0.9
Paralegal 2	78,468		0.3	0.2	0.3	0.3
Total FTEs		0.3	2.8	1.6	3.5	3.3

III. D - Expenditures By Program (optional)

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Licensing & Administrative Law Division (LAL)	29,000	433,000	462,000	1,146,000	1,067,000
Total \$	29,000	433,000	462,000	1,146,000	1,067,000

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.

Individual State Agency Fiscal Note

Bill Number: 5796 SB	Title: Payroll expense tax	Agency: 105-Office of Financial Management
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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
Statewide Information Tech System Maintenance & Operations Revolving Account-Non-Appropriated 472-6	65,000		65,000		
Total \$	65,000		65,000		

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
Account					
Statewide Information Tech System Maintenance & Operations Revolving Account-Non-Appropriated 472-6	65,000	0	65,000	0	0
Total \$	65,000	0	65,000	0	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: Alia Kennedy	Phone: 360-786-7405	Date: 03/20/2025
Agency Preparation: Keith Thunstedt	Phone: 360-810-1271	Date: 03/25/2025
Agency Approval: Jamie Langford	Phone: 360-902-0422	Date: 03/25/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 03/31/2025

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.

Section 3 Establishes a 5% Payroll Expense Tax starting July 1st, 2026, for employers within the state of Washington that have over \$7,000,000 in annual payroll expenses, for each employee that exceeds the maximum wages subject to taxation for social security. The social security maximum wages are determined by the social security administration annually.

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.

OFM distributes statewide costs incurred in fund 472 Statewide Information Tech System M&O Revolving account through the central service model. Assumed state-wide costs incurred in the account would be matched by an increase in the OFM Enterprise Application Fee.

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.

This new payroll tax will require modifications to the Human Resource Management System (HRMS) wage type configuration, data structures, system workflows, and payroll reporting to enable identifying, tracking, and reporting of taxable wage amounts for each state agency.

- This work is estimated at 400 hours, one-time.
- ABAP Application Developer Senior - 200 hours
 - Application Developer Journey - 100 hours
 - Application Tester Journey - 100 hours

OFM cannot absorb this work and therefore would use DES tier-two master contracts to provide the following contracted services:

- 200 hours for backfill of an HRMS ABAP developer at a contract rate of \$171.00 per hour (200*\$171=\$34,200)
100 hours for backfill of a HRMS SAP Developer at a contract rate of \$165.00 per hour (100*\$165=\$16,500)
100 hours for backfill of an Application Tester Journey at a contract rate of \$140.00 per hour (100*\$140=\$14,000)

One-time costs \$64,700. Ongoing support costs will be absorbed into HRMS Maintenance and Operations activities.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
472-6	Statewide Information Tech System Maintenance & Operations Revolving Account	Non-Appropriated	65,000	0	65,000	0	0
Total \$			65,000	0	65,000	0	0

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts	65,000		65,000		
E-Goods and Other Services					
G-Travel					
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 \$	65,000	0	65,000	0	0

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.

Individual State Agency Fiscal Note

Revised

Bill Number: 5796 SB	Title: Payroll expense tax	Agency: 110-Office of Administrative Hearings
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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
Administrative Hearings Revolving Account-State 484-1		176,000	176,000	494,000	430,000
Total \$		176,000	176,000	494,000	430,000

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	0.0	1.1	0.6	1.6	1.4
Account					
Administrative Hearings Revolving Account-State 484-1	0	176,000	176,000	494,000	430,000
Total \$	0	176,000	176,000	494,000	430,000

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: Alia Kennedy	Phone: 360-786-7405	Date: 03/20/2025
Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 03/26/2025
Agency Approval: Rob Cotton	Phone: 360-407-2708	Date: 03/26/2025
OFM Review: Val Terre	Phone: (360) 280-3073	Date: 03/31/2025

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.

Section 1(7) establishes the legislature’s intent to impose a tax on large employers on the amount of payroll expenses not otherwise subject to social security withholdings.

Section 3(1) creates a payroll expense tax with the effective date of July 1, 2026. Section 3(1) also provides the formula for determining the payroll expense tax.

Section 6(1) outlines the requirements of employers subject to the payroll expense tax. Specifically, this section requires employers to make reports, collect and remit taxes, and provide the information to the Employment Security Department Commissioner upon request.

Section 7 establishes the penalties for an employer’s failure to follow these requirements and 7(6) provides the ability for employers to appeal the penalties.

Section 22(2) directs appeals of any notice of adverse determination or redetermination to the Office of Administrative Hearings (OAH) for the assignment of an Administrative Law Judge (ALJ).

Section 25 directs OAH ALJs to affirm, modify, or set aside a notice of assessment or denial of a refund after the parties have been afforded a reasonable opportunity for hearing.

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.

As a central service agency, the Office of Administrative Hearings (OAH) bills referring agencies for its costs and collects the revenue into the Administrative Hearings Revolving Account. Cash receipts are assumed to equal costs. OAH will bill the Employment Security Department for the costs related to this proposed legislation.

These cash receipts represent the OAH’s authority to bill and are not a direct appropriation to OAH. Appropriation authority is necessary in OAH’s budget.

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.

The Employment Security Department estimates that the proposed legislation will result in new appeals being referred to the Office of Administrative Hearings (OAH) per fiscal year beginning in FY 2027.

- FY 2027: 62 new appeals;
- FY2028 through FY 2030: 86 new appeals;
- FY 2031: 64 new appeals.

On average, each appeal is expected to take approximately 12 hours of Line Administrative Law Judge (ALJ) time including prehearing conferences, hearings, order writings, etc.

OAH Agency Workforce Assumptions:

- (1) 1.0 Line Administrative Law Judge (ALJ) will include cost and FTE for 0.15 Senior ALJ (SALJ), 0.15 Lead ALJ (LALJ), 0.6 Legal Assistant 2 (LA2) (Range 40 step L), and 0.25 administrative support represented as a Management Analyst 5 (MA5) (Range 64 Step L).
- (2) ALJ salary is based on the ALJ collective bargaining agreement and assumed to be at step L. (Line ALJ-range 70, Senior ALJ-range 76, Lead ALJ-range 73).
- (3) Benefit rates were analyzed by job class and projected using the latest benefit information available.
- (4) Goods and services, travel and on-going capital outlays were projected based on historical data for each of the job classifications.
- (5) Salary projections are based on the current FY 2025 salary tables.

Total workload impact:

FY 2026: No fiscal impact.

FY 2027: 0.53ALJ, 0.08 SALJ; 0.08 LALJ; 0.32 LA2 and 0.13 MA5. The total cost is rounded to \$176,000.

FY 2028 through FY 2030: 0.74ALJ, 0.11 SALJ; 0.11 LALJ; 0.44 LA2 and 0.19 MA5. The total cost is rounded to \$247,000.

FY 2031: 0.55 ALJ, 0.08 SALJ; 0.08 LALJ; 0.33 LA2 and 0.14 MA5. The total cost is rounded to \$183,000.

This bill is assumed effective 90 days after the end of the 2025 legislative session.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
484-1	Administrative Hearings Revolving Account	State	0	176,000	176,000	494,000	430,000
Total \$			0	176,000	176,000	494,000	430,000

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years		1.1	0.6	1.6	1.4
A-Salaries and Wages		111,000	111,000	310,000	270,000
B-Employee Benefits		35,000	35,000	98,000	85,000
C-Professional Service Contracts					
E-Goods and Other Services		28,000	28,000	80,000	70,000
G-Travel		1,000	1,000	2,000	2,000
J-Capital Outlays		1,000	1,000	4,000	3,000
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	176,000	176,000	494,000	430,000

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 2026	FY 2027	2025-27	2027-29	2029-31
Administrative Law Judge	113,712		0.5	0.3	0.7	0.7
Lead ALJ	122,496		0.1	0.0	0.1	0.1
Legal Assistant 2	55,584		0.3	0.2	0.4	0.4
Management Analyst 5	98,040		0.1	0.1	0.2	0.2
Senior Administrative Law Judge	131,880		0.1	0.0	0.1	0.1
Total FTEs			1.1	0.6	1.6	1.4

III. D - Expenditures By Program (optional)

Program	FY 2026	FY 2027	2025-27	2027-29	2029-31
Regulatory & Education (0)		176,000	176,000	494,000	430,000
Total \$		176,000	176,000	494,000	430,000

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: 5796 SB	Title: Payroll expense tax	Agency: 140-Department of Revenue
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Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated 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: Alia Kennedy	Phone: (360) 786-7405	Date: 03/20/2025
Agency Preparation: Victor Crosetti	Phone: (360) 534-1554	Date: 03/24/2025
Agency Approval: Valerie Torres	Phone: (360) 534-1521	Date: 03/24/2025
OFM Review: Gwen Stamey	Phone: (360) 790-1166	Date: 03/26/2025

Request # 5796-1-1

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:

Employment taxes are taxes employers calculate and pay based on employee compensation.

Washington applies four employment taxes. These taxes support the Paid Family and Medical Leave program, the long-term care insurance program, unemployment insurance, and the workers' compensation program. The Employment Security Department (ESD) administers these employment taxes except for the workers' compensation program the Department of Labor and Industries administers.

PROPOSAL:

Beginning July 1, 2026, ESD will administer a 5.0% tax on compensation exceeding the Social Security Administration's maximum wages subject to tax for social security. The tax is imposed on the employer. An employer may not deduct from employee wages to pay this tax. The new tax only applies to employers with total employee wages equal to or greater than \$7 million for the prior calendar year.

The bill allows a credit for eligible city payroll expense taxes the employer pays.

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.

This legislation results in no revenue impact on taxes administered by the Department of Revenue (department).

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.

This legislation does not impact the department.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

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

NONE

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

Individual State Agency Fiscal Note

Bill Number: 5796 SB	Title: Payroll expense tax	Agency: 360-University of Washington
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
Account					
General Fund-State 001-1	13,200,000	13,200,000	26,400,000	26,400,000	26,400,000
University of Washington Hospital-State 505-1	6,000,000	6,000,000	12,000,000	12,000,000	12,000,000
Total \$	19,200,000	19,200,000	38,400,000	38,400,000	38,400,000

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: Alia Kennedy	Phone: 360-786-7405	Date: 03/20/2025
Agency Preparation: Michael Lantz	Phone: 2065437466	Date: 04/07/2025
Agency Approval: Michael Lantz	Phone: 2065437466	Date: 04/07/2025
OFM Review: Ramona Nabors	Phone: (360) 742-8948	Date: 04/18/2025

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.

Senate Bill 5796 creates a new statewide payroll tax on large employers.

Under Section 3 of the measure, “employers engaged in business” would pay a 5% tax on payroll expenses for employees whose salary exceeds the current Social Security threshold (\$176,100 per year). The tax is assumed to only apply to the salary amount above this threshold, not the total salary. Under Section 4, employers with under \$7 million in payroll are exempt. The University of Washington (UW) assumes the measure applies to public entities and that it would therefore be subject to the tax.

Meanwhile, Section 5 provides a tax credit to employers for the costs of complying with the City of Seattle’s payroll tax. However, the University of Washington is largely exempt from the Seattle tax, with only two affiliated physicians’ groups subject to it. Please see the expenditures section for further details.

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.

UW is one of the largest employers in Washington state, with a total payroll of over \$4.2 billion in 2025 across the University’s three academic campuses and hospital system. Of that amount, approximately \$263 million would be subject to the 5% state payroll tax. Therefore, the cost is expected to be \$13.2 million per year. In the tables, this amount is listed as General Fund Account expenditures.

Separately, UW Medicine would be subject to payroll taxes for employees of UW Physicians (UWP) and Children’s University Medical Group (CUMG), affiliated physician practice groups whose salaries are not included in the totals discussed above. Total salaries of the group practitioners who exceed the Social Security cap are approximately \$310 million per year, with approximately \$143 million of that amount subject to the proposed state payroll tax. After accounting for the tax credit available for compensation subject to the City of Seattle’s payroll tax, the cost of the 5% state payroll tax is approximately \$4.1 million for UWP and \$1.9 million for CUMG per year, for a total of \$6.0 million per year. In the tables, this amount is listed as UW Hospital Account expenditures.

Overall, the total cost of SB 5796 to UW is expected to exceed \$19.2 million in FY25. This amount is subject to change in future years based on modifications to employee salaries and the expected growth in the Social Security cap. However, we are assuming the FY25 amounts for future years in the table based on currently available information.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
001-1	General Fund	State	13,200,000	13,200,000	26,400,000	26,400,000	26,400,000
505-1	University of Washington Hospital	State	6,000,000	6,000,000	12,000,000	12,000,000	12,000,000
Total \$			19,200,000	19,200,000	38,400,000	38,400,000	38,400,000

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers	19,200,000	19,200,000	38,400,000	38,400,000	38,400,000
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	19,200,000	19,200,000	38,400,000	38,400,000	38,400,000

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.

Individual State Agency Fiscal Note

Bill Number: 5796 SB	Title: Payroll expense tax	Agency: 540-Employment Security Department
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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
General Fund-State 001-1	1,852,000,000	2,344,000,000	4,196,000,000	4,964,000,000	5,319,000,000
Total \$	1,852,000,000	2,344,000,000	4,196,000,000	4,964,000,000	5,319,000,000

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	27.0	41.2	34.1	25.7	25.1
Account					
General Fund-State 001-1	8,859,267	11,417,108	20,276,375	10,776,614	10,480,818
Total \$	8,859,267	11,417,108	20,276,375	10,776,614	10,480,818

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: Alia Kennedy	Phone: 360-786-7405	Date: 03/20/2025
Agency Preparation: Daniel Jones	Phone: 360-763-2919	Date: 03/29/2025
Agency Approval: Lisa Henderson	Phone: 360-902-9291	Date: 03/29/2025
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 03/29/2025

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 bill creates chapter 50C in the Revised Code of Washington to develop a new excise tax program on employers with over \$7 million in annual payroll on wages exceeding the social security wage threshold. This excise payroll tax is paid by the employer and collected through the Employment Security Departments (ESD) quarterly wage reporting and assessment system built for Paid Leave and WA Cares. However, taxes collected through this tax are sent to the General Fund of the state. Below is a summary of the relevant portions of this bill associated with implementation.

Section 2 – This section of the bill provides definitions for key components of the bill. Notably it aligns employer, employee, employment, localization, and wages to align with current Paid Leave RCW/WAC to build off the Paid Leave wage reporting and premium collection systems.

Section 3 – This section states that effective July 1, 2026, a 5% payroll expense tax will be levied on employers in Washington for employee wages exceeding the social security wage threshold within a calendar year and cannot be deducted from employee wages. Remitting the tax imposed will be set by department, which ESD assumes will be through quarterly wage reporting and collections built into the Paid Leave and WA Cares reporting system.

Section 4 – This section provides an exemption to employers that have equal to or less than \$7 million in total payroll in the prior calendar year.

- Based on current wage reporting around 98% of all employers in the state would be exempted based on having less than \$7 million in annual payroll. In 2026 there are assumed to be 5,115 employers that would be subject to the payroll tax, growing to about 6,598 by 2036.

Exemption Status	2026	2027	2028	2029	2030	2031
Exempt Employers	232,861	232,687	232,552	232,416	232,278	232,131
Non-exempt employers	5,115	5,289	5,424	5,560	5,698	5,845

Exemption Status	2032	2033	2034	2035	2036
Exempt Employers	231,991	231,815	231,671	231,523	231,378
Non-exempt employers	5,985	6,161	6,305	6,453	6,598

Section 5 – This section provides a credit to employers paying into a city payroll expense tax. The credit is available to employers paying into city payroll expense taxes enacted as of Jan 1, 2025. The credit is equal to the amount remitted to the city in the immediately prior reporting period and may not exceed the tax owed for the city payroll expense tax in effect as of Jan 1, 2024. It also states that ESD may enter data sharing contracts to facilitate administration of the credit, and no refunds will be granted for the credit.

- Currently only the City of Seattle has a city payroll expense tax that would have employers eligible for the credit. According to the Washington Research Council, in 2021 and 2022 there were 484 and 497 respectfully, paying into the City of Seattle’s payroll expense tax. ESD assumes that 500 employers would be eligible for the credit with a value of \$588 million to \$680 million annually through 2036.

	FY26	FY27	FY28	FY29	FY30+
Estimated Max Credit Value	\$0	\$588	\$670	\$667	\$680

Sections 6-34 - These section all refer to employer requirements, ESD’s authority to assess penalties and interest, and appeal processes. This language is modeled off Paid Leave RCW, and in summary allows to ESD to engage in conference and conciliation prior to assessing penalties and interest. Assessing penalties and interest on non-compliant employers has

an effective date of Jan 1, 2025.

Section 35 – Requires that all tax, interest, and penalties collected under SB 5796 be deposited into the general fund of the state.

Section 37 – This section grants ESD rulemaking authority to implement this bill.

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.

SB 5796 creates chapter 50C in the Revised Code of Washington to develop a new excise tax program on employers with over \$7 million in annual payroll on wages exceeding the social security wage threshold. This excise payroll tax is paid by the employer and collected through the Employment Security Departments (ESD) quarterly wage reporting and assessment system built for Paid Leave and WA Cares. However, taxes collected through this tax are sent to the General Fund of the state.

See attached for detailed cash receipts and 10-year analysis.

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.

See Attached.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
001-1	General Fund	State	8,859,267	11,417,108	20,276,375	10,776,614	10,480,818
Total \$			8,859,267	11,417,108	20,276,375	10,776,614	10,480,818

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years	27.0	41.2	34.1	25.7	25.1
A-Salaries and Wages	2,581,782	3,685,993	6,267,775	4,304,491	4,181,618
B-Employee Benefits	1,032,713	1,474,397	2,507,110	1,721,797	1,672,648
C-Professional Service Contracts	3,308,760	3,308,760	6,617,520		
E-Goods and Other Services	1,277,273	2,009,897	3,287,170	3,657,794	3,565,522
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements	658,739	938,061	1,596,800	1,092,532	1,061,030
9-					
Total \$	8,859,267	11,417,108	20,276,375	10,776,614	10,480,818

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 2026	FY 2027	2025-27	2027-29	2029-31
ADMINISTRATIVE ASSISTANT 4	54,204	1.0	1.0	1.0		
BUDGET ANALYST 3	66,012		0.5	0.3	0.5	0.5
COMMUNICATIONS CONSULTANT 4	69,396	0.2	0.2	0.2	0.1	0.1
EMPLOYMENT SECURITY PROGRAM COORDINATOR 2	59,844		2.3	1.2	2.0	2.0
EMPLOYMENT SECURITY PROGRAM COORDINATOR 3	66,012		0.6	0.3	1.0	1.0
ES BENEFITS SPECIALIST 2	59,844	1.0	2.0	1.5	2.0	2.0
ES BENEFITS SPECIALIST 3	66,012	1.0	4.7	2.8	5.9	6.0
ES BENEFITS SPECIALIST 4	72,924	0.5	1.0	0.8	1.9	2.0
IT APP DEVELOPMENT - JOURN	92,416	2.0	2.0	2.0		
IT APP DEVELOPMENT - SENIOR/SPECIALIST	106,976	3.0	3.0	3.0	1.0	1.0
IT BUSINESS ANALYST - JOURNEY	92,416	1.9	2.5	2.2	1.1	1.0
IT DATA MANAGEMENT - SENIOR/SPECIALIST	101,871	1.0	2.0	1.5	1.0	1.0
IT POLICY & PLANNING - MANAGER	117,927	1.0	1.0	1.0	1.0	1.0
IT POLICY & PLANNING - SENIOR/SPECIALIST	106,976	0.8	1.0	0.9	0.0	
IT PROJECT MANAGEMENT - SENIOR/SPECIALIST	106,976	1.0	1.0	1.0	0.0	
IT QUALITY ASSURANCE - JOURNEY	92,416	2.0	2.0	2.0	1.0	1.0
IT SYSTEM ADMINISTRATION - JOURNEY	97,038	1.5	2.0	1.8	1.4	0.8
IT SYSTEM ADMINISTRATION - SENIOR/SPECIALIST	101,871	0.2	0.3	0.2	0.2	0.3
IT VENDOR MANAGEMENT - MANAGER	123,835	1.0	1.0	1.0		
MANAGEMENT ANALYST 3	66,012	0.5	1.0	0.8		
MANAGEMENT ANALYST 4	76,608	2.0	2.0	2.0		
MANAGEMENT ANALYST 5	84,516	0.7	2.0	1.3	2.0	2.0
OPERATIONS RESEARCH SPECIALIST	93,348	0.8	0.8	0.8	0.8	0.8
TAX POLICY SPECIALIST 2	78,468	1.3	1.2	1.2	0.5	0.5
TECHNICAL TRAINING CONSULTANT	72,924	0.5	1.0	0.8		
WMS Band 1	92,911	0.5	1.0	0.8	1.0	1.0
WMS BAND 2	105,072	1.7	2.2	2.0	1.2	1.2
Total FTEs		27.0	41.2	34.1	25.7	25.1

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.

This bill would require new RCW sections to be added in order to give ESD the statutory authority to enact each section of this bill. Changes to WACs will be necessary to clarify, define, and implement the bill.

Operating Narrative:

ESD assumes the following staffing and department costs associated with implementing SB 5796.

Information Technology

The technical work should this bill pass would be broken up into two phases: sections 3-6 relating to wage reporting, exemptions, credits, and tax collections, and sections 7-32 relating to assessing and collecting penalties and interest.

Section 3-6: Wage Reporting and Tax Collection

The technical build out for implementing wage reporting, tax assessments and payments, employer exemptions, and city credits will take 9-12 months of dedicated work including a 3-month stabilization period following implementation to make sure technology is accurately assessing and collecting the new tax as intended. This work is assumed to begin July 2025, which results in production and deployment prior to Oct 1, 2026, when the first wage reporting and tax assessments would begin based on a July 1, 2026, effective date.

Due to the type and amount of work needed to implement with the current effective date of July 1, 2026, the technical work will need to be supplemented with contracted staff so that simultaneous work can be carried out on the various components. A high-level summary of the technical features that would need to be developed to implement this bill includes updates to:

- Employer wage reporting portal to account for new tax reporting instructions, including payment screens and link to payment processing for employers to view invoices, statements, and transactions relating to the new payroll tax.
- Systems to calculate tax assessments and credits including processes for employers with amended wage reports.
- Financial system to track tax invoices and payments that can integrate with state accounting.
- Internal case management systems for employer services staff.
- Reporting systems and employer accounts to accommodate the employer exemption annually.
- Systems to develop and implement credit request system for employers and third-party administrators based on data sharing agreement with city payroll expense tax, including workflow, routing, and crossmatch for review.

Section 7-32: Penalties and Interest

The technical build out for implementing the penalties and interest portion of this bill will take about 9-12 months of dedicated work including a 3-month stabilization period following implementation to make sure technology is accurately assessing penalties and interest as intended. This work will begin on January 1, 2026, and will be carried out concurrent with building the similar functionality in WA Cares and Paid Leave within ESD. Beginning at the start of calendar year 2026 will result in production and deployment prior to April 1, 2027, when the first assessments of penalties and interest could be accrued based on the Jan 1, 2027, effective date.

Due to the type and amount of work needed to implement with the current effective date of January 1, 2027, the technical work will need to be supplemented with contracted staff so that simultaneous work can be carried out on the various components. A high-level summary of the technical features that would need to be developed to implement this bill includes updates to:

- Case management system and workflows to track staff support regarding correspondence and decisions regarding conference and conciliation and penalties and interest assessments and payments.
- System to add interest calculation based on outstanding balances
- Financial systems for invoicing penalties assessments on employer accounts balances.

ESD will require contracted development teams. Understanding that contract staff cost more, to meet the effective dates laid out in this bill, Employment Security will need to rely largely on contract staff for IT services. If not, the department will have to delay implementation. Based on the timelines in the bill, it is unlikely the program would be able to recruit, hire and train FTEs in the “key roles” and due to the specialized and intermittent nature of the work for the specialty services it is more cost effective to utilize contract services.

The contractors included in the technical estimate represent roles that are necessary for some or all technical work. There are two groups of contractors: key roles (e.g., principal architect) and specialty services (e.g., performance testing, security testing).

The implementation timeline runs from July 2025 through June 2027 and can be found in tables found the Product, Planning, and Performance section of the analysis.

The following IT positions will be needed for implementation July 2025 through June 2027:

Role	OFM job class	Hours	Cost
Development Team Scrum Lead	IT Project Management – Journey	3780 hours x \$115/hr	\$434,700
Development Team Lead/Delivery Architect	IT Application Development – Senior/Specialist	3780 hours x \$115/hr	\$661,500
Senior Application Developer	IT Application Development – Senior/Specialist	11,340 hours x \$160/hr	\$1,814,400
Application Developer	IT Application Development – Journey	7560 hours x \$135/hr	\$1,020,600
SDET – Integrated Test Engineer	IT Quality Assurance – Senior/Specialist	3780 hours x \$135/hr	\$510,300
Quality Assurance (QA) Tester	IT Quality Assurance – Journey	7560 hours x \$110/hr	\$831,600
Senior DevOps Engineer	IT Application Development – Senior/Specialist	1890 hrs x \$125/hr	\$236,250
DevOps Engineer	IT Systems – Journey	3780 hrs x \$110/hr	\$415,800
Principal Architect	IT Architecture Expert	210 hrs x \$185/hr	\$38,850

The following IT positions will be needed for implementation March 2026 through June 2027:

Role	OFM job class	Hours	Cost
Performance Test Team Lead (SDET)	IT Quality Assurance – Senior/Specialist	672 hrs x \$175/hr	\$117,600
Senior Perf Tester (SDET)	IT Quality Assurance – Senior/Specialist	672 hrs x \$160/hr	\$107,520

Perf Tester (SDET)	IT Quality Assurance – Journey	2016 hrs x \$120/hr	\$241,920
Senior Security Tester	IT Security – Senior/Specialist	504 hrs x \$200/hr	\$100,800
Security Tester	IT Security – Journey	504 hrs x \$170/hr	\$85,680

Total IT Contractor cost: FY26 - \$2,982,000; FY27 - \$3,635,520

IT Infrastructure Related Costs

In addition to staffing, this bill will require some updates and additions to existing IT infrastructure and licensing to accommodate the implementation of SB 5796. Traditionally some of these costs could be absorbed within existing resources however this new program cannot utilize funding sources from other ESD programs. There are two main drivers of infrastructure costs, software licensing and database hosting.

Software Licensing: Each IT position working on implementing SB 5796 will need software licensing such as Microsoft GS and Visual Studio, security testing software in order to develop the technical components of this bill. These costs have a high cost initially to account for the increased number of technical staff working on implementation but drop starting in FY 28 to account for the decrease in staff.

Database Hosting: To implement SB 5796 ESD program databases will need to be expanded to account for the new line of business. There are three main databases that programs such as WA Cares and Paid Leave necessitate. ESD will require on-going funding to host servers that relate to the case management, financial, and production databases. Each of these databases do require a staging, testing and production server. This is the standard setup needed for new programs attached to the Paid Leave and WA Cares technology platforms. As the hosting of these databases are being added to existing programs there is cost savings compared to standing them up on their own and the amount assumed takes those savings into account.

Infrastructure Type	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
Software Licensing	\$315,845	\$315,845	\$96,670	\$96,670	\$96,670	\$96,670	\$96,670	\$96,670	\$96,670
Database Hosting	\$422,138	\$449,340	\$503,542	\$519,359	\$535,967	\$553,405	\$571,715	\$590,941	\$611,128

Product, Planning, and Performance

Staffing estimates are based on past projects with similar sized scope and impact, such as adding penalties and interest to the Paid Leave and WA Cares wage reporting systems.

For projects that require technical development work, the Product Team design and plan the new customer-facing screens, workflows, and database modifications needed to implement the system and code changes needed if this bill were to pass. The Product team needs approximately 6-8 weeks lead time ahead of the development teams. To implement and maintain system features ESD assumes the following staff and timeline.

CY 25						CY 26						CY 27					
FY 26						FY 27											
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<u>Ongoing Product Team for Tax Collections, Employer Exemptions, and City Credit: July 2025</u> Staffing Required: Senior product manager, product analyst, and business systems analyst. Work Resulting from SB 5796: This team will design and document technical solutions need for IT teams to update technical systems to related to wage reporting, tax collections, employer exemptions, and city credits. This work includes design and development work employer online accounts, updating employer toolkits, decision letters and notifications, adjusting inputs for system tax assessments, creating online forms for TPAs and employers, and updating internal staff case management functions relating to the new tax assessment, exemptions, and city credits. The senior product manager will also provide leadership and oversight management for the implementation of the entire bill.																	
						<u>Program Financials Product Team: Sept 2025 - July 2027</u> Staffing Required: Product manager and business systems analyst. Work Resulting from SB 5796: This team will design and document technical solutions need for IT teams to update technical systems to related to ESDs financial systems. This include the design and development of the calculations behind tax assessments for employers, tax invoicing, updating payment screens for screens and program statements, updating the financial system to collect payments by creating new accounts, journals, and connecting those to the payment processors.											
						<u>Penalties and Interest Product Team: January 2026 - March 2027</u> Staffing Required: Business systems analyst. Work Resulting from SB 5796: This team will design and document technical solutions needed for IT teams to update technical solutions related to assessing and collecting penalties and interest. This includes expanding the case management system to manage conference and conciliation workflows and support audit and collections actives for non-compliant employers. This team will build off and update existing systems being implemented in Paid Leave and WA Cares to align compliance functions across all programs utilizing the same wage reporting and payment collections technology.											
						<u>Project and Change Management Team: July 2025 - July 2027</u> Staffing Required: Project manager and change manager. Work Resulting from SB 5796: This team will help facilitate project and change management of adding a new tax program to ESD's portfolio. This team will oversee schedules, support stakeholder engagement, ensure project timelines and budgets are met, develop strategic plans, and communicate changes to internal and external parties.											

Product, Planning, and Performance staffing requirements for updating and developing the systems pertaining to tax collections, employer exemptions, and city credit:

- Senior Product Manager, 0.1 FTE on-going beginning July 2025.
- Product Analyst, 1 project FTE beginning July 2025 through July 2027.
- Business Systems Analyst, 1 FTE on-going beginning July 2025.

Product, Planning, and Performance staffing requirements for updating and developing the financial systems:

- Product Manager, 1 project FTE beginning Sept 2025 through July 2027.
- Business Systems Analyst, 1 project FTE beginning Sept 2025 through July 2027.
- Project Manager, 1 project FTE beginning July 2025 through July 2027.
- Changer Manager, 1 project FTE beginning July 2025 through July 2027.

Product, Planning, and Performance staffing requirements for updating and developing the technical systems needed for assessing penalties and interest:

- Business Systems Analyst, 1 project FTE beginning Jan 2026 through July 2027.

Employer Requirements: Wage reporting, exemptions, city credit, and penalties and interest

SB 5796 has four major components in the bill that impact ESD's work and how employers engage with ESD should this bill pass.

- Sec 3 outlines the payroll expense tax that goes into effect July 1, 2026. This tax is a 5% tax on the total amount of calendar year wages for each employee that exceeds the social security wage cap.
- Sec 4 provides an exemption for employers who had less than \$7 million in total payroll in the prior year.
- Sec 5 allows employers subject to a city payroll tax the ability to request a credit for the amount paid to the city payroll tax in the prior year.
- Sec 7 and many of the remaining sections grant ESD the authority to assess penalties and interest on non-compliant employers.

To implement this bill, ESD will require the following operational staff in addition to the technical teams outlined above.

Employer Services

Employer Services staff will provide account support and conference and conciliation prior to assessing P&I, same as currently required for the Paid Leave program. These staff will review wage reporting and premium remittances, resolve outstanding account issues and assist employer customers with questions on statements, balance notifications, payments, and reports.

Based on comparable work in Paid Leave, Employment Security expects to need 2 FTEs, ES Benefit Specialist 2s, to answer phone calls, respond to emails, assist employers in customer service with questions regarding account support and conference and conciliation efforts. These two FTEs would have the capacity to support 6,750 emails and 4,822 calls per year from employers enquiring about or needing assistance regarding the new tax program following the staffing assumptions below.

- Annual Direct Customer Service hours per FTE: 1,350 hours
- Avg time per email: 0.20 hours
- Avg time per phone call: 0.28 hours
- 1 specialist can respond to 3,375 emails and 2,411 calls per year.

Additionally, ESD expects to need 3 ES Benefit Specialists 3s to assist with employer account issue resolution, credit processing, exemption review requests, conference and conciliation cases, refunds for overpayments, and interest waiver requests. Some staff will begin starting July 2026 at the onset of tax assessments, exemptions, and credit implementation with the remainder onboarding when penalties and interest are implemented in Jan 2027. Below are the staffing assumptions for these positions.

- Hours to provide issue resolution, conference and conciliation, advanced referrals, refund validation and interest waiver requests, and credit processing per FTE: 1,350 hrs.
- Avg time per tax overpayment refund validation: 1 hour, estimating 200 per year: 200 hours
- Avg time per interest waiver review: 1.5 hour, 200 per year: 300 hours

- Avg time for conference and conciliation: 3 hours, 500 per year 1,500 hours
- Avg time for credit processing: 1 hour 500 per quarter: 2,000 hours
- Avg time for exemption review requests: 1hour 40 per year: 40 hours
- Avg time for referrals: 0.5 hour 200 per year: 100 hours

The two teams working on employer account support will require one supervisor to oversee day to day work and provide process support and one manager to manage and implement program process and strategies.

Should this bill pass, ESD assumes it would require additional staff to support appeals. Assumed number of appeals are based on historical appeal data of similar types in other programs managed by ESD such as Paid Leave and Unemployment Insurance. ESD assumes an additional 77 appeals in FY27, increasing to 107 appeals in FY28 through FY35. This is comprised for 60 related to penalties and interest, 40 related to exemptions and wage reporting, and 7 related to the city credit. Each appeal is anticipated to take approximately 40 hours, which would require an additional 3 ES Benefit Specialist 3. This team would require an ES Benefit Specialist 4 Supervisor. The staffing assumptions can be found below.

Annual hours to process appeals per FTE: 1,350 hours

- Avg time per appeal: 40 hours
- 107 additional appeals annually
- $107 * 40$ avg hours per appeal = 4,280 hours of staff time in FY27 ~ 3 FTE

Appeal Type	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
P&I (effective Jan 2027)	0	30	60	60	60	60	60	60	60	60
Exemptions/Reporting (effective July 2026)	0	40	40	40	40	40	40	40	40	40
Credit (effective July 2026)	0	7	7	7	7	7	7	7	7	7
Total	0	77	107	107	107	107	107	107	107	107

This new tax program would require operational support staff. This includes updating processes and procedures, training staff on new laws and processes, coordinate staffing resources, provide internal logistical support, and leadership to provide program direction, guidance and strategic planning. This requires on-going support from a management analyst and program administrator, and temporary project support for an operations process coordinator and technical training consultant during the implementation of this bill.

Customer Compliance

After attempts have been made through the employer services team, ESD will assess penalties and interest for out of compliance employers. Employers may be out of compliance for either not reporting or mis-reporting wages and hours or failing to pay the excess payroll tax. ESD will require staff to serve as customer support for employers who have questions regarding penalties and interest, make determinations on whether to apply penalties and interest after conference and conciliation, and perform additional account reconciliation activities.

The language for penalties and interest is modeled from the Paid Leave RCW that has yet to be implemented but features that are currently being developed. This bill would build penalties and interest functionality concurrently with Paid Leave. Assumptions for staffing requests are based on similar authorization granted to ESD in the Unemployment Insurance (UI) program. UI has a non-compliance rate for employers is roughly 8%. The non-compliance rate for employers subject to the tax is assumed higher (10%) in FY27 due to an expected increase in reconciliation issues and awareness for a new tax program. This will drop to 8% in FY28 and thereafter as more employers become familiar with the program. With roughly 5,000-6,500 employers subject to the tax over the next ten years the compliance caseload would be around 500 non-compliance employers per year. Assuming a similar staffing model as with Unemployment Insurance this amount of work requires a minimum the following staffing.

- 2 FTE beginning Dec 2026 and ongoing for an Employment Security Program Coordinator (ESPC) 2 and an ESPC 3 on-going FTE beginning July 2027, responsible for collecting outstanding tax revenue, support ongoing customer service needs to answer phone calls, emails, and ongoing account reconciliation efforts.

In addition to increased staffing needs, ESD expects additional expenses associated with printing and postage costs related to informing employers of their exemption status, tax requirements, and program statements each year. For reference, Unemployment Insurance sends statements quarterly. This is roughly \$11,202 in FY26 increasing to \$14,450 over ten years using the assumptions below.

Mailing costs are based on average letter printing and postage costs of \$0.04 for printing and \$0.69 for metered postage, per letter. Each letter is expected to be two pages resulting in a per letter cost of \$0.73.

- Per letter cost: \$0.73
- Non-exempt employers: 5,115 employers in FY26
- Number of mailings per non-exempt employer: 3 per year
- 5,115 employers * 3 mailers per year * \$0.73 cost per letter = \$11,202 in FY26

Exemption Status	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36
Non-exempt employers	5,115	5,289	5,424	5,560	5,698	5,845	5,985	6,161	6,305	6,453	6,598
Mailer Costs	\$11,202	\$11,583	\$11,879	\$12,176	\$12,479	\$12,801	\$13,107	\$13,493	\$13,808	\$14,132	\$14,450

Research & Data

This bill adds complexity to the wage reporting, tax assessments, and revenue collections while also adds new data elements to be analyzed based on employers exempt for the tax and those eligible for the city credit. These additional components add new data to manage and analyze, adds complexity to existing data, and adds areas for internal and external data enquires.

ESD assumes that revenue forecasts and projections for this tax regarding state budgets will be carried out by the Economic and Revenue Forecast Council in conjunction with data provided by the research team. The research and data team assumes to provide data and analytic support but not taking the role of forecasting for

the state budgets. This also assumes no large-scale evaluation or report based on this new tax program. Although there is no required reporting to legislature nor other similar entity, ESD assumes some reporting will be necessary by the authorizing environment to communicate aggregated information about employers, revenue, and credits. Additional support for the data sharing agreement with cities based on the credit will also be required.

- 0.8 FTE, beginning July 2025 and on-going, for an Operations Research Specialist to provide user experience research for employers engaging in this new tax program, provide operational statistical analysis to support operational workload experience and support staffing models, to assess risk of problematic data relating to tax assessments, exemptions and credits, assist data regarding compliance issues, to respond to stakeholder questions, to inform decision-making, and support standard evaluation activities for portfolio projects.
- 0.2 FTE, beginning July 2025 and on-going, for a Research Manager to provide management and leadership to the research staff performing the work on the new tax program while providing strategic direction for developing data products related to the new tax program. This includes guidance on data requests, database structure, program performance, and support standard data tracking activities for portfolio projects, and assist financial divisions as well as external teams such as the Economic and Revenue Forecast Council.
- 1 FTE, a project position beginning July 2026 and ending June 2027, for a Data Engineer to develop a data warehouse creating customer datasets regarding the new tax, exemption, and city credit criteria, manage and support data sharing agreements with cities with employers eligible for the credit, and provide quality assurance on data.

ESPI

Currently there are seven chapters of RCW and dozens of WACs associated with the premiums and administration portions of the Paid Leave program. A similar number of rules is assumed to be necessary to implement this new tax program. Additionally, the development and on-going support of knowledge bases articles used for informing staff on operational policies would be necessary. Implementing this new tax program will require a policy team dedicated to rule making and knowledge-based articles. This team would be comprised of the follow.

- 1 FTE, a project position beginning Oct 2025 and ending Feb 2027, for an Operational Policy Analyst to lead the rulemaking efforts and provide analysis of applicable RCWs and WACs associated with the implementation of this new tax program, such as developing rules on employer exemptions, tax obligations, and city credits.
- 0.5 FTE, beginning Oct 2025 on-going, for an Operational Policy Analyst to support the analysis of program WACs and RCWs and draft internal policies and amend standard operating procedures to support operational policies within ESD.

Financial Services

In addition to setting up a new line item of tax collections for ESD, the tax revenue collected from this bill require that all funding be transferred over to the general fund of the state. To accommodate the implementation of this bill, the financial services team would require staff to support the treasury management processes, track, monitor and analyze operating expense as well as set up new processes to transfer the funds to the state treasury. This includes incorporating the new tax into Dynamic 365 to track the revenue and employer information. These positions would work the technology teams to ensure proper

accounting processes are developed in the financial accounts. This necessitates one half of an FTE for a treasury and research analysis supervisor and one half of an FTE for a budget analyst.

Communications

The communications team will create and implement a communications plan to track edits and outreach needed to communicate the new tax program to employers. This would require a large-scale communications plan to inform employers of the new tax requirements, how ESD will enforce it, including taxable wages and applicable rates, their responsibility to pay, how to file the required information, and how to submit payments. This will also include well as specialized communications to employers that are not exempt and those who may be eligible for the city credit.

The scope of work includes web content, guides and toolkits for customers and employers, and public-facing program materials used throughout the agency for outreach to customers, employers and HR departments. Communications will use GovDelivery newsletters to contact employers (small and large), customers and other key audiences to inform about the changes and new resources. The communications team will work with the project team to review and approve FAQs, talking points or other materials used by the agency for outreach, so that messaging to the public is aligned and consistent.

Office of Administrative Hearings (OAH) and Attorney's General Office (AGO)

The assumptions below are built off the historical experience of existing programs. The number of appeals related to penalties and interest are based on similar statutes established and implemented in Unemployment Insurance. Additionally, the number of appeals ESD assumed relating to employer exemptions and wage reporting are based on the historical experience during program launch of Paid Leave and WA Cares reporting. These total numbers of appeals referred to OAH and AGO have been adjusted to account for the assumed experience related to SB 5796. Historically, the ESD refers about 60% of appeals to OAH and even fewer to AGO for representation. However, ESD assumes significantly more involvement from OAH and AGO on these appeals due to confusion around the proposed new program tax, higher assessed taxes per employer, and the value of the city credit for eligible employers. As values of these value of assessed tax or city credits could be in the millions of dollars ESD assumes higher involvement of OAH and AGO than in similar programs administered by ESD. Therefore, this analysis assumes the share referred to OAH and AGO to start at 80% in the first years of implementation but drop down to 20% by FY35.

Appeal Type	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
P&I (effective Jan 2027)	0	30	60	60	60	60	60	60	60	60
Exemptions/Reporting (effective July 2026)	0	40	40	40	40	40	40	40	40	40
Credit (effective July 2026)	0	7	7	7	7	7	7	7	7	7
Share Referred to OAH and AGO	80%	80%	80%	80%	80%	60%	50%	40%	30%	20%
Total Referred to OAH and AGO	0	62	86	86	86	64	54	43	32	21
Estimated OAH Costs	\$0	\$176,000	\$247,000	\$247,000	\$247,000	\$183,000	\$153,000	\$124,000	\$92,000	\$60,000
Estimated AGO Costs	\$29,000	\$433,000	\$573,000	\$573,000	\$573,000	\$494,000	\$370,000	\$281,000	\$212,000	\$146,000

Cash receipts Impact

There are three components of this bill that impact fiscal year estimates.

1. Exemption status for employers is based on calendar year payroll in the prior year. ESD assumes there will be an estimated 5,115 employers in calendar year 2026 subjected to the payroll tax taking effect at the start of fiscal year 2027. The number of employers is assumed to grow to 6,598 by 2036.
2. Wages subject to the tax, those exceeding the social security wage threshold, are accrued by employees throughout the calendar year.
3. Wage reporting and tax remittances from employers are due to ESD one month following the end of the quarter and credits for employers paying a city payroll expense tax receive credit to the state payroll expenses tax based on their quarter's city payroll expense tax payment.

Due to the lag in collections fiscal year assessments don't align with fiscal year collections. For example, fiscal year 2028 contains estimated tax revenue collections from Q2-Q4 of calendar year 2027 and Q1 of calendar year 2028. This is because premiums are remitted to Employment Security one month following the end of the quarter. Fiscal year 2027 assumes a lower estimated revenue because it will have only collected tax revenue from three quarters as employers were not subject to the tax assessments in Q2 of 2026.

There is to be no assumed tax revenue collected by ESD in fiscal year 2026 due to an effective date of the assessed tax requirements beginning July 1, 2026. However, collections do begin in fiscal year 2027.

- Total Revenue (pre credit): In fiscal year 2027 ESD assumes a total revenue prior to employer credits to be about \$2.4 billion, growing to \$3.7 billion by fiscal year 2035.
- Total City Credit: The total estimated value of the city credit is about \$588 million in fiscal year 2027, growing to \$680 by fiscal year 2035.
- Total Revenue (post credit): The total estimated revenue after applying the city credit to eligible employers is about \$1.8 billion that could be expected to be transferred to the general fund of the state. These estimates are assumed to increase to roughly \$3 billion by the end of fiscal year 2035.

Fiscal Year	Total Revenue (pre credit)	Total City Credit Value	Total Revenue After Applying Tax Credits
2026	\$0	\$0	\$0
2027	\$2,440	\$588	\$1,852
2028	\$3,014	\$670	\$2,344
2029	\$3,106	\$667	\$2,440
2030	\$3,193	\$669	\$2,524
2031	\$3,289	\$680	\$2,610
2032	\$3,388	\$680	\$2,709
2033	\$3,489	\$680	\$2,809
2034	\$3,593	\$680	\$2,913
2035	\$3,701	\$680	\$3,021

*Values reported in millions

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 5796 SB	Title: Payroll expense tax
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: offsets increase in payroll tax with city payroll tax credit
- ☐ Counties:
- ☐ 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:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated expenditure impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 03/27/2025
Leg. Committee Contact: Alia Kennedy	Phone: 360-786-7405	Date: 03/20/2025
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 03/27/2025
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 03/27/2025

Part IV: Analysis

A. SUMMARY OF BILL

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

Beginning July 1, 2026, the Employment Security Department (ESD) will administer a 5.0% tax on compensation exceeding the Social Security Administration's maximum wages subject to tax for social security. The tax is imposed on the employer. An employer may not deduct from employee wages to pay this tax. The new tax only applies to employers with total employee wages equal to or greater than \$7 million for the prior calendar year.

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.

For those cities imposing the payroll expense tax, there would be administrative costs related to implementing the credit established by the bill.

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.

This bill would create a credit for any eligible city payroll expense tax paid by the employer. The credit is equal to the total amount paid to the city in the quarter immediately prior to ESD's employer reporting period. To be eligible the employer must be subject to a city tax in effect January 1, 2024.

According to ESD, there are roughly 500 employers currently fling city payroll taxes. The assumed value of the city payroll expense tax credit is:

- FY 26- \$0
- FY 27- \$588
- FY 28- \$670
- FY 29- \$667
- FY 30- \$680

At the time of this fiscal note, it is unknown which cities have this city tax in effect but the credit is estimated to be minimal.

SOURCES:
Department of Revenue fiscal note, SB 5796 (2025)
Employment Security Department

Individual State Agency Fiscal Note

Bill Number: 5796 SB	Title: Payroll expense tax	Agency: SDF-School District Fiscal Note - SPI
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
Account					
School District-Private/Local NEW-7	0	3,482,954	3,482,954	6,965,908	6,965,908
Total \$	0	3,482,954	3,482,954	6,965,908	6,965,908

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: Alia Kennedy	Phone: 360-786-7405	Date: 03/20/2025
Agency Preparation: Shawn Lewis	Phone: 360 725-6019	Date: 03/31/2025
Agency Approval: Amy Kollar	Phone: 360 725-6420	Date: 03/31/2025
OFM Review: Shea Hamilton	Phone: (360) 229-4774	Date: 03/31/2025

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.

New Section 2 - This section provides definitions as related to this act for terms such as commissioner, department, employee, employer, and employment, remuneration, wages, and service and base of operations.

New Section 3 - Establishes a 5% Payroll Expense Tax starting July 1st, 2026, for employers within the state of Washington for each employee that exceeds the maximum wages subject to taxation for social security. The social security maximum wages are determined by the social security administration annually.

New Section 4 - Establishes employer exemptions (does not apply to any employer with total employee wages equal to or less than \$7,000,000 for the prior calendar year.)

New Section 5 - Establishes who may claim a credit for any eligible city payroll expense tax paid by the employer.

New Section 6 - This section establishes employer requirements such as reports, furnishing information, and collection and remittance of taxes as required by this chapter to the ESD as well as records retention and other employer requirements.

New Section 7 - This section establishes under what circumstances (and amounts) that ESD may impose penalties on employers.

New Section 8 - This section describes the accrual of interest when the employer is delinquent in paying them.

New Section 9 - This section describes what occurs with remittance of taxes when an employer quits business, sells out, exchanges, or otherwise disposes of the employer's business or stock of goods.

New Section 10 - This section describes the process by which the ESD commissioner will serve an order and notice of assessment related to a delinquency (summons in a civil action) to an employer.

New Section 11 - Describes the process for immediate collection by the commissioner when an employer is determined to be insolvent.

New Section 12 - Describes the process for collection by distraint, seizure and sale.

New Section 13 - Describes the procedure for collection by distraint, seizure and sale.

New Section 14 - Describes the process by which the commissioner may issue a notice and order to withhold and deliver property of any kind when the department has served a notice and order of assessment for tax, interest, or penalties.

New Section 15 - Describes the process by which the commissioner may file with the clerk of any county within the state a warrant in the amount of the notice of assessment plus interest, penalties, and a filing fee under RCW 36.18.012(10).

New Section 16 - Describes the process for liens.

New Section 17 - Describes the process and priority of the lien when the employer is in a state of insolvency, dissolution, or distribution of assets.

New Section 18 - Describes the process by which the commissioner may pursue civil actions - service of process after due notice, any employer (in state or out of state) defaults in any payment of tax, interest, or penalties, the amount due may be collected by civil action in the name of the state.

New Section 19 - Describes the process by which an employer who is delinquent will be served an injunction from continuing to do business in WA State until they are in good standing related to the tax.

New Section 20 - Describes the process by which the commissioner may compromise a claim against an employer when the employer is unable to pay the full amount owed.

New Section 21 - Describes the process by which the commissioner may write off uncollectable amounts owed.

New Section 22 - Describes how an aggrieved party may file an appeal from any determination or redetermination with the commissioner.

New Section 23 - Describes the process by which an employer may appeal an assessment.

New Section 24 - Describes the process by which a determination, redetermination, order and notice of assessment, appeals decision, or commissioner's decision is deemed filed and received.

New Section 25 - Describes the assessment procedure of an administrative law judge hearing an appeal.

New Section 26 - Describes the hearing procedures for an appeal.

New Sections 27, 28, & 29 - Describes the process of review of an administrative law judge decision and appeal process as well as final decision.

New Section 30 - Describes the applicability of the actions under this act are not conclusive, nor binding, nor admissible as evidence in any separate action outside the scope of this chapter.

New Section 31 - Describes how limitations can be waived.

New Section 32 - States that the commissioner's decision shall be prima facie correct, and the burden of proof shall be upon the party challenging the decision.

New Section 33 - Describes the judicial review procedure.

New Section 34 - The remedies provided in this chapter for determining the justness or correctness of assessments, refunds, adjustments, or claims shall be exclusive and no court shall entertain any action to enjoin an assessment or require a refund or adjustment except in accordance with the provisions of this chapter.

New Section 35 - Directs that all funds collected under this act will be deposited into the general fund.

New Section 36 - The department is exempt from the procurement requirements under RCW 39.26 until October 1, 2026 for purposes of implementation of this new chapter.

New Section 37 - Provides authority to adopt rules necessary for implementation.

New Section 38 - This act may be known and cited as the payroll expense tax act.

New Section 39 - Severability section (if any section found to be invalid, remainder is valid).

New Section 40 - Codifies act into new RCW 50C

New Section 41 - Describes the necessity of the act.

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.

There are no cash receipts at school districts related to this bill.

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.

There are 170 school districts and educational service districts with payrolls in excess of \$7 million annually.

Within those school districts employees with total compensation over \$176,100 annually were identified. The amount above \$176,100 per employee in all districts amounted to \$69,659,081. 5% of this amount is \$3,482,954.

For purposes of this fiscal note, we assume the Social Security Limit will grow annually at the same rate as employee salaries. This holds the excess amount and the tax amount constant for all years beginning in FY 2027.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
NEW-7	School District	Private/Local	0	3,482,954	3,482,954	6,965,908	6,965,908
Total \$			0	3,482,954	3,482,954	6,965,908	6,965,908

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers		3,482,954	3,482,954	6,965,908	6,965,908
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total \$	0	3,482,954	3,482,954	6,965,908	6,965,908

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.

Individual State Agency Fiscal Note

Bill Number: 5796 SB	Title: Payroll expense tax	Agency: SWF-SWF Statewide Fiscal Note - OFM
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2026	FY 2027	2025-27	2027-29	2029-31
Account					
All Other Funds-State 000-1	8,497,000	8,443,000	16,940,000	16,886,000	16,886,000
General Fund-State 001-1	3,891,000	3,873,000	7,764,000	7,746,000	7,746,000
Total \$	12,388,000	12,316,000	24,704,000	24,632,000	24,632,000

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: Alia Kennedy	Phone: 360-786-7405	Date: 03/20/2025
Agency Preparation: Kathy Cody	Phone: 360-480-7237	Date: 03/31/2025
Agency Approval: Jamie Langford	Phone: (360) 870-7766	Date: 03/31/2025
OFM Review: Marcus Ehrlander	Phone: (360) 489-4327	Date: 03/31/2025

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.

The bill establishes a 5% tax on the portion of employee wages that exceeds the Social Security wage base, as determined by the Social Security Administration and set annually by the commissioner. The tax applies only to employers with total annual wages exceeding \$7,000,000 in the preceding calendar year.

The legislation requires affected employers to maintain detailed records, submit reports, and remit the tax to the state’s employment security department. In addition, the bill provides for a credit against the state tax for eligible city payroll expense taxes, and establishes procedures for assessing penalties, interest on late payments, enforcement measures including liens and seizure of property, and a process for administrative and judicial review.

All revenue generated under the act is to be deposited into the state’s general fund for use in funding public schools, health care, social services, and other state programs.

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.

The bill does not exempt public employers but provides a credit against the state tax liability for local government employers collecting an eligible city payroll expense tax.

The current threshold as set by the Social Security Administration is \$176,100 per individual. Assuming that the tax would apply to all state agencies, based on the aggregate state payroll exceeding \$7,000,000, the cost impact of a 5% tax on salaries above the current threshold is about \$12,388,000 for FY 26 and has ongoing fiscal impact of \$12,316,000.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2026	FY 2027	2025-27	2027-29	2029-31
000-1	All Other Funds	State	8,497,000	8,443,000	16,940,000	16,886,000	16,886,000
001-1	General Fund	State	3,891,000	3,873,000	7,764,000	7,746,000	7,746,000
Total \$			12,388,000	12,316,000	24,704,000	24,632,000	24,632,000

III. B - Expenditures by Object Or Purpose

	FY 2026	FY 2027	2025-27	2027-29	2029-31
FTE Staff Years					
A-Salaries and Wages	12,388,000	12,316,000	24,704,000	24,632,000	24,632,000
B-Employee Benefits					
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel					
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 \$	12,388,000	12,316,000	24,704,000	24,632,000	24,632,000

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.



Multiple Agency Ten-Year Analysis Summary

Bill Number	Title
5796 SB	Payroll expense tax

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
Administrative Office of the Courts	0	0	0	0	0	0	0	0	0	0	0
Office of Attorney General	0	0	0	0	0	0	0	0	0	0	0
Office of Financial Management	0	0	0	0	0	0	0	0	0	0	0
Office of Administrative Hearings	0	0	0	0	0	0	0	0	0	0	0
Department of Revenue	0	0	0	0	0	0	0	0	0	0	0
University of Washington	0	0	0	0	0	0	0	0	0	0	0
Employment Security Department	0	1,852,000,000	2,344,000,000	2,440,000,000	2,524,000,000	2,610,000,000	2,709,000,000	2,809,000,000	2,913,000,000	3,021,000,000	23,222,000,000
SWF Statewide Fiscal Note - OFM	0	0	0	0	0	0	0	0	0	0	0
Total	0	1,852,000,000	2,344,000,000	2,440,000,000	2,524,000,000	2,610,000,000	2,709,000,000	2,809,000,000	2,913,000,000	3,021,000,000	23,222,000,000



Ten-Year Analysis

Bill Number 5796 SB	Title Payroll expense tax	Agency 055 Administrative Office of the Courts
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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											
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Agency Preparation: Chris Conn	Phone: 360-704-5512	Date: 3/26/2025 9:38:59 am
Agency Approval: Chris Stanley	Phone: 360-357-2406	Date: 3/26/2025 9:38:59 am
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 3/31/2025 7:57:25 pm



Ten-Year Analysis

Bill Number 5796 SB	Title Payroll expense tax	Agency 100 Office of Attorney General
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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											
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Agency Preparation: Amy Flanigan	Phone: 509-456-3123	Date: 3/25/2025 8:05:00 pm
Agency Approval: Leah Snow	Phone: 360-586-2104	Date: 3/25/2025 8:05:00 pm
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 3/31/2025 7:57:25 pm



Ten-Year Analysis

Bill Number 5796 SB	Title Payroll expense tax	Agency 105 Office of Financial Management
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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											
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Agency Preparation: Keith Thunstedt	Phone: 360-810-1271	Date: 3/25/2025 4:27:45 pm
Agency Approval: Jamie Langford	Phone: 360-902-0422	Date: 3/25/2025 4:27:45 pm
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 3/31/2025 7:57:25 pm



Ten-Year Analysis

Bill Number 5796 SB	Title Payroll expense tax	Agency 110 Office of Administrative Hearings
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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											
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Agency Preparation: Pete Boeckel	Phone: 360-407-2730	Date: 3/26/2025 9:46:26 am
Agency Approval: Rob Cotton	Phone: 360-407-2708	Date: 3/26/2025 9:46:26 am
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 3/31/2025 7:57:25 pm



Ten-Year Analysis

Bill Number 5796 SB	Title Payroll expense tax	Agency 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**

Name of Tax or Fee	Acct Code											
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Agency Preparation: Victor Crosetti	Phone: 360-534-1554	Date: 3/24/2025 12:12:35 pm
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 3/24/2025 12:12:35 pm
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 3/31/2025 7:57:25 pm



Ten-Year Analysis

Bill Number 5796 SB	Title Payroll expense tax	Agency 360 University of Washington
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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											
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Agency Preparation: Michael Lantz	Phone: 2065437466	Date: 4/7/2025 3:19:56 pm
Agency Approval: Michael Lantz	Phone: 2065437466	Date: 4/7/2025 3:19:56 pm
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 3/31/2025 7:57:25 pm



Ten-Year Analysis

Bill Number 5796 SB	Title Payroll expense tax	Agency 540 Employment Security Department
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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
Payroll expense tax	001		1,852,000,000	2,344,000,000	2,440,000,000	2,524,000,000	2,610,000,000	2,709,000,000	2,809,000,000	2,913,000,000	3,021,000,000	23,222,000,000
Total			1,852,000,000	2,344,000,000	2,440,000,000	2,524,000,000	2,610,000,000	2,709,000,000	2,809,000,000	2,913,000,000	3,021,000,000	23,222,000,000
Biennial Totals			1,852,000,000	4,784,000,000	5,134,000,000	5,518,000,000	5,934,000,000	23,222,000,000				

Narrative Explanation (Required for Indeterminate Cash Receipts)

There are three components of this bill that impact fiscal year estimates.

1. Exemption status for employers is based on calendar year payroll in the prior year. ESD assumes there will be an estimated 5,115 employers in calendar year 2026 subjected to the payroll tax taking effect at the start of fiscal year 2027. The number of employers is assumed to grow to 6,598 by 2036.
2. Wages subject to the tax, those exceeding the social security wage threshold, are accrued by employees throughout the calendar year.
3. Wage reporting and tax remittances from employers are due to ESD one month following the end of the quarter and credits for employers paying a city payroll expense tax receive credit to the state payroll expenses tax based on their quarter's city payroll expense tax payment.

Due to the lag in collections fiscal year assessments don't align with fiscal year collections. For example, fiscal year 2028 contains estimated tax revenue collections from Q2-Q4 of calendar year 2027 and Q1 of calendar year 2028. This is because premiums are remitted to Employment Security one month following the end of the quarter. Fiscal year 2027 assumes a lower estimated revenue because it will have only collected tax revenue from three quarters as employers were not subject to the tax assessments in Q2 of 2026.

There is to be no assumed tax revenue collected by ESD in fiscal year 2026 due to an effective date of the assessed tax requirements beginning July 1, 2026. However,



Ten-Year Analysis

Bill Number 5796 SB	Title Payroll expense tax	Agency 540 Employment Security Department
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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>.

Narrative Explanation (Required for Indeterminate Cash Receipts)

collections do begin in fiscal year 2027.

- Total Revenue (pre credit): In fiscal year 2027 ESD assumes a total revenue prior to employer credits to be about \$2.4 billion, growing to \$3.7 billion by fiscal year 2035.
- Total City Credit: The total estimated value of the city credit is about \$588 million in fiscal year 2027, growing to \$680 by fiscal year 2035.
- Total Revenue (post credit): The total estimated revenue after applying the city credit to eligible employers is about \$1.8 billion that could be expected to be transferred to the general fund of the state. These estimates are assumed to increase to roughly \$3 billion by the end of fiscal year 2035.

Fiscal Year	Total Revenue (pre credit)	Total City Credit Value	Total Revenue After Applying Tax Credits
2026	\$0	\$0	\$0
2027	\$2,440	\$588	\$1,852
2028	\$3,014	\$670	\$2,344
2029	\$3,106	\$667	\$2,440
2030	\$3,193	\$669	\$2,524
2031	\$3,289	\$680	\$2,610
2032	\$3,388	\$680	\$2,709
2033	\$3,489	\$680	\$2,809
2034	\$3,593	\$680	\$2,913
2035	\$3,701	\$680	\$3,021

*Values reported in millions

Agency Preparation: Daniel Jones	Phone: 360-763-2919	Date: 3/29/2025 2:56:09 pm
Agency Approval: Lisa Henderson	Phone: 360-902-9291	Date: 3/29/2025 2:56:09 pm
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 3/31/2025 7:57:25 pm



Ten-Year Analysis

Bill Number 5796 SB	Title Payroll expense tax	Agency SDF School District Fiscal Note - SPI
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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											
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Agency Preparation: Shawn Lewis	Phone: 360 725-6019	Date: 3/31/2025 11:53:50 an
Agency Approval: Amy Kollar	Phone: 360 725-6420	Date: 3/31/2025 11:53:50 an
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 3/31/2025 7:57:25 pr



Ten-Year Analysis

Bill Number 5796 SB	Title Payroll expense tax	Agency SWF SWF Statewide Fiscal Note - OFM
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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											
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Agency Preparation: Kathy Cody	Phone: 360-480-7237	Date: 3/31/2025 5:22:13 pm
Agency Approval: Jamie Langford	Phone: (360) 870-7766	Date: 3/31/2025 5:22:13 pm
OFM Review: Anna Minor	Phone: (360) 790-2951	Date: 3/31/2025 7:57:25 pm