

# Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 2327 HB	<b>Title:</b> Digital equity/revenue
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## Estimated Cash Receipts

Agency Name	2023-25			2025-27			2027-29		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of State Treasurer	(47,800,000)	(47,800,000)	0	(187,500,000)	(187,500,000)	0	(197,200,000)	(197,200,000)	0
Office of State Treasurer	In addition to the estimate above, there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
Department of Revenue	(47,800,000)	(47,800,000)	(40,700,000)	(187,500,000)	(187,500,000)	(153,000,000)	(197,200,000)	(197,200,000)	(162,300,000)
<b>Total \$</b>	<b>(95,600,000)</b>	<b>(95,600,000)</b>	<b>(40,700,000)</b>	<b>(375,000,000)</b>	<b>(375,000,000)</b>	<b>(153,000,000)</b>	<b>(394,400,000)</b>	<b>(394,400,000)</b>	<b>(162,300,000)</b>

## Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Joint Legislative Audit and Review Committee	.0	0	0	12,000	.0	0	0	4,800	.0	0	0	4,800
Office of State Treasurer	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Revenue	1.5	1,079,600	1,079,600	1,079,600	2.4	546,700	546,700	546,700	2.2	514,000	514,000	514,000
<b>Total \$</b>	<b>1.5</b>	<b>1,079,600</b>	<b>1,079,600</b>	<b>1,091,600</b>	<b>2.4</b>	<b>546,700</b>	<b>546,700</b>	<b>551,500</b>	<b>2.2</b>	<b>514,000</b>	<b>514,000</b>	<b>518,800</b>

## Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Office of State Treasurer	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
<b>Total \$</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>

## Estimated Capital Budget Breakout

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<b>Prepared by:</b> Amy Hatfield, OFM	<b>Phone:</b> (360) 280-7584	<b>Date Published:</b> Final 1/31/2024
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# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2327 HB	<b>Title:</b> Digital equity/revenue	<b>Agency:</b> 014-Joint Legislative Audit and Review Committee
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
<b>Account</b>					
Performance Audits of Government Account-State 553-1	4,800	7,200	12,000	4,800	4,800
<b>Total \$</b>	4,800	7,200	12,000	4,800	4,800

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- 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:	Phone:	Date: 01/13/2024
Agency Preparation: Vivien Chen	Phone: 360-786-5171	Date: 01/18/2024
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 01/18/2024
OFM Review: Gaius Horton	Phone: (360) 819-3112	Date: 01/19/2024

## 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.*

Sec. 1 describes the Legislature's intent, including its finding that many Washingtonians do not have access to adequate and affordable internet and that additional funding is needed to promote digital access.

Sec. 3 establishes a wireless device tax.

Sec. 8 requires radio communications service companies and voice over internet protocol server companies to request voluntary contributions to the state digital equity account created in RCW 80.36.710.

Sec. 11 creates a JLARC study of the effectiveness of the increased funding for digital equity programs, including the digital equity opportunity program in RCW 43.330.412 and the digital equity planning grant program in RCW 43.330.5393. The study must include a review of digital equity supports, a review of the Office of Superintendent of Public Instruction's digital equity programs, and a review of the State Board of Community and Technical Colleges digital equity programs. The review must be completed by January 1, 2031.

### 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 directs JLARC to review and evaluate the effectiveness of the increased funding provided to various digital equity programs. JLARC staff will work with the Department of Revenue to collect data on the wireless device tax established in Sec. 3 and the contributions to the state digital equity account pursuant to Sec. 8. JLARC staff will work with the Department of Commerce to review the digital equity opportunity program and digital equity planning grant program identified in Sec. 11. JLARC staff will work with the Office of Superintendent of Public Instruction (OSPI) and the State Board of Community and Technical Colleges (SBCTC) to evaluate how digital equity program funds were used to support digital services and instruction in K-12 schools and community and technical colleges.

JLARC is directed to issue a report by January 1, 2031. JLARC staff will begin work on the audit in July 2029 and issue a preliminary report to the Legislature in December 2030.

This cost estimate is for initial data collection, monitoring, and establishing communication with agencies. The audit will take place outside the time frame of the fiscal note.

This audit will require an estimated 1 audit month.

JLARC ASSUMES THAT THE ASSIGNMENT IN THIS PROPOSED BILL MAY REQUIRE ADDITIONAL RESOURCES. JLARC WILL ASSESS ALL OF THE ASSIGNMENTS MANDATED IN THE 2024 LEGISLATIVE SESSION. BASED ON ALL LEGISLATION THAT IS PASSED, JLARC MAY SUBSEQUENTLY DETERMINE THAT IT CAN ABSORB THE COSTS FOR THIS PROPOSED BILL IN ITS BASE BUDGET, IF THE WORKLOAD OF OTHER ENACTED LEGISLATION DOES NOT EXCEED CURRENT STAFFING LEVELS.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2023-25 costs are calculated at approximately \$23,900 per audit month.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
553-1	Performance Audits of Government Account	State	4,800	7,200	12,000	4,800	4,800
<b>Total \$</b>			4,800	7,200	12,000	4,800	4,800

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years					
A-Salaries and Wages	3,100	4,700	7,800	3,200	3,200
B-Employee Benefits	1,000	1,500	2,500	1,000	1,000
C-Professional Service Contracts					
E-Goods and Other Services	600	900	1,500	600	600
G-Travel	100	100	200		
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	4,800	7,200	12,000	4,800	4,800

### 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 2024	FY 2025	2023-25	2025-27	2027-29
Research Analyst	131,064					
Support staff	110,856					
<b>Total FTEs</b>						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

<b>Bill Number:</b> 2327 HB	<b>Title:</b> Digital equity/revenue	<b>Agency:</b> 090-Office of State Treasurer
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## Part I: Estimates

No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
General Fund-State 001-1		(47,800,000)	(47,800,000)	(187,500,000)	(197,200,000)
Learning Device and Technology Account-State NEW-1		47,800,000	47,800,000	187,500,000	197,200,000
<b>Total \$</b>					

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

### Estimated Operating Expenditures from:

NONE

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 01/13/2024
Agency Preparation: Mandy Kaplan	Phone: (360) 902-8977	Date: 01/30/2024
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 01/30/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/31/2024

## 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.*

HB 2327 provides a revenue stream to fund digital equity programs. The learning device and technology account is created, coupled with the general fund as the recipient of the earnings from investments under RCW 43.84.092(4).

### 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.*

Under section 6(1), beginning January 1, 2025 at the beginning of each quarter, the treasurer shall transfer 50 percent of all revenue collected on the sale of smart wireless devices to the learning device and technology account.

Under section 6(2), the department of revenue (DOR) must notify the state treasurer at least 30 days prior to the start of each new quarter the amount of sales tax revenues to be transferred from the general fund to the learning device and technology account. DOR provided the transfer estimates for this fiscal note.

There may be an impact on the debt service limitation calculation. Changes to the earnings credited to the general fund impacts, by an equal amount, general state revenues.

### II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

NONE

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

NONE

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

NONE

### III. D - Expenditures By Program (optional)

NONE

## Part IV: Capital Budget Impact

### IV. A - Capital Budget Expenditures

NONE

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

NONE



**IV. C - Capital Budget Breakout**

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

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Department of Revenue Fiscal Note

<b>Bill Number:</b> 2327 HB	<b>Title:</b> Digital equity/revenue	<b>Agency:</b> 140-Department of Revenue
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax		(47,800,000)	(47,800,000)	(187,500,000)	(197,200,000)
NEW-State 00 - 00 -		7,100,000	7,100,000	34,500,000	34,900,000
<b>Total \$</b>		(40,700,000)	(40,700,000)	(153,000,000)	(162,300,000)

### Estimated Expenditures from:

Account	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		3.0	1.5	2.4	2.2
GF-STATE-State 001-1		1,079,600	1,079,600	546,700	514,000
<b>Total \$</b>		1,079,600	1,079,600	546,700	514,000

### 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:	Phone:	Date: 01/13/2024
Agency Preparation: Beth Leech	Phone: 60-534-1513	Date: 01/30/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/30/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/31/2024

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## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.*

#### CURRENT LAW:

Consumers purchasing smart wireless devices pay retail sales and use taxes.

#### PROPOSAL:

This legislation creates a new tax of \$2 per device on each retail sale of a smart wireless device with a selling price of more than \$250. All revenue from this new tax is deposited into the Learning Device and Technology Account created by this legislation. If any seller fails to collect this tax or, having collected the tax, fails to pay it to the Department of Revenue (department), the seller is personally liable to the state for the tax. This tax must be stated separately from the selling price on any invoice or other instrument of sale.

Beginning January 1, 2025, at the beginning of each quarter, the State Treasurer shall transfer 50% of the state retail sales tax collected on the sale of smart wireless devices into the Learning Device and Technology Account. At least 30 days before the start of each new quarter, the department shall notify the State Treasurer of the amount of state sales tax revenue to transfer from the General Fund to the Learning Device and Technology Account.

Smart wireless device means any type of instrument, device, machine, or equipment capable of wireless access to the internet.

Beginning January 1, 2025, radio communications service companies, local exchange companies, and interconnected Voice Over Internet Protocol service companies must include a request for voluntary contributions to the State Digital Equity Account as part of the regular subscriber billings. The department must establish a process for these voluntary contributions to be transmitted to the department.

This legislation creates the Learning Device and Technology Account. Expenditures from the account must be used for the Digital Equity Planning Grant Program.

By January 1, 2031, the Joint Legislative Audit and Review Committee must review the effectiveness of the increased funding to the various digital equity programs.

#### EFFECTIVE DATE:

This bill takes effect on January 1, 2025, however, due to the time it will take to program this bill's changes, the department cannot implement the donations from subscribers of radio communications service companies, local exchange companies, or interconnected Voice Over Internet Protocol service companies (section 8) until July 1, 2026.

### II. B - Cash receipts Impact

*Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

#### ASSUMPTIONS:

- The Office of the State Treasurer's fiscal note reflects the transfer from the General Fund to the Learning Device and Technology Account.
- Quarterly state retail sales tax transfers will be from the General Fund. State retail sales tax deposited in the Performance Audits of Government Account is unaffected.
- The quarterly transfer of state retail sales tax on the sale of smart wireless devices from the General Fund will occur at the beginning of each calendar quarter.

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- The transfer on January 1 will be for revenue collections during quarter 3 of the previous year.
- The transfer on April 1 will be for revenue collections from quarter 4 of the previous year.
- The transfer on July 1 will be for revenue collections from quarter 1 of the current year.
- The transfer on October 1 will be for revenue collections from quarter 2 of the current year.
- Taxpayers report all state retail sales tax to the department in total. Thus, the department will use outside data sources to estimate the quarterly transfer of state retail sales tax on the sale of smart wireless devices.
- The revenue impact of possible donations from subscribers of radio communications service companies, local exchange companies, or interconnected Voice Over Internet Protocol service companies is unknown.
- Washington represents 2.33% of the United States population.
- For purposes of this estimate, "wireless devices" include:
  - Smartphones, Smarthome products (including wearables), Laptops/tablets, Smart TV's, Health and fitness technology, and Gaming consoles.
- NEW Fund: Learning Device and Technology Account
- NEW Source: Wireless Device Tax
- The tax of \$2 per device on each smart wireless device retail sale with a selling price of more than \$250 impacts five months of collections in fiscal year 2025.
- The state retail sales tax transfer on the sale of smart wireless devices with a selling price of more than \$250 impacts six months of collections in fiscal year 2025.

DATA SOURCES:

- U.S. Census Bureau, 2023 population estimates.
- Statista.com, U.S. consumer electronics industry shipment volume for 2021, by selected product
- Statista.com, U.S. consumer electronics industry forecasted volume by segment
- Statista.com, Video game console market revenue in the United States 2018-2028
- Statista.com, Computer hardware market revenue in the United States from 2018 to 2028, by segment
- Statista.com, Consumer Electronics Market, television revenues
- Statista.com, Smart home revenue in the United States 2019-2028, by segment
- Statista.com, Video game console market revenue in the United States 2018-2028
- Statista.com, U.S. digital health and fitness market revenues 2019-2026, by segment
- Mordorintelligence.com, US Smart TV Market Size

REVENUE ESTIMATES

This bill decreases state revenues by an estimated \$40.7 million in the five months of impacted collections in fiscal year 2025, and by \$75.3 million in fiscal year 2026, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2024 -	\$ 0
FY 2025 -	(\$ 40,700)
FY 2026 -	(\$ 75,300)
FY 2027 -	(\$ 77,700)
FY 2028 -	(\$ 80,000)
FY 2029 -	(\$ 82,300)

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

## II. C - Expenditures

*Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.*

### ASSUMPTIONS:

- This legislation will affect 12,500 businesses selling wireless devices.
- This legislation will affect 750 business that can receive voluntary contributions and transmit those to the department.
- Expenditures assume an effective date of July 1, 2026, for Section 8 of this legislation, providing the department with 24 months to implement the required changes. The department will incur additional costs if a different implementation date is required.

### FIRST YEAR COSTS:

The department will not incur any costs in fiscal year 2024.

### SECOND YEAR COSTS:

The department will incur total costs of \$1,079,600 in fiscal year 2025. These costs include:

Labor Costs - Time and effort equate to 3.04 FTEs.

- Set up, program, and test computer systems to create a new tax and a new dedicated funding account.
- Update scanning and processing systems for the new tax reporting line.
- Begin configuring system to receive voluntary contributions and transmit those funds to the dedicated account.
- Create special notice and update relevant information on the department's website.
- Respond to tax ruling requests and email inquiries.
- Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses, individuals, and accountants.
- Process returns, payments and all associated work items, including issuing assessments for return errors and underpayments.
- Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Make quarterly estimates of retail wireless device sales greater than \$250 and the amount to be distributed to the dedicated account.
- Amend two administrative rules.

Object Costs - \$680,700.

- Contract computer system programming.
- Acquire one agent seat license at the telephone information center.
- Software and training in conjunction with the estimate calculation.

### THIRD YEAR COSTS:

The Department will incur total costs of \$280,800 in fiscal year 2026. These costs include:

Labor Costs - Time and effort equate to 2.4 FTEs.

- Ongoing development of new computer system to receive voluntary contributions from businesses.
- Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses, individuals, and accountants.
- Process returns, payments and all associated work items, including issuing assessments for return errors and underpayments.
- Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.

- Routine field audits of retail sellers of smart wireless devices will require additional time to verify the new quantity tax.
- Make quarterly estimates of retail wireless device sales greater than \$250 and the amount to be distributed to the dedicated account.

Object Costs - \$500.

- Software and training in conjunction with the estimate calculation.

**FOURTH YEAR COSTS:**

The Department will incur total costs of \$265,900 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 2.3 FTEs.

- Ongoing testing and maintenance of system developed to receive contributions.
- Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses, individuals, and accountants.
- Process returns, payments and all associated work items, including issuing assessments for return errors and underpayments.
- Assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Process contribution payments, make adjustments/corrections, and deposit funds into the dedicated account.
- Routine field audits of retail sellers of smart wireless devices will require additional time to verify the new quantity tax.
- Make quarterly estimates of retail wireless device sales greater than \$250 and the amount to be distributed to the dedicated account.

Object Costs - \$2,200.

- Software and training in conjunction with the estimate calculation.
- Print and mail contribution confirmations to businesses than do not file returns electronically.

**Part III: Expenditure Detail**

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

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		3.0	1.5	2.4	2.2
A-Salaries and Wages		248,900	248,900	352,600	334,600
B-Employee Benefits		82,200	82,200	116,400	110,400
C-Professional Service Contracts		678,000	678,000		
E-Goods and Other Services		49,100	49,100	56,700	52,200
G-Travel		200	200	3,200	3,200
J-Capital Outlays		21,200	21,200	17,800	13,600
<b>Total \$</b>		\$1,079,600	\$1,079,600	\$546,700	\$514,000

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	131,684		0.0	0.0		
EXCISE TAX EX 2	58,104		0.2	0.1	0.4	0.3
EXCISE TAX EX 3	64,092		0.2	0.1	0.3	0.2
IT B A-JOURNEY	91,968		1.2	0.6	1.0	1.0
IT SYS ADM-JOURNEY	96,552		0.5	0.3		
MGMT ANALYST4	76,188		0.0	0.0		
REVENUE AUDITOR 2	64,092				0.2	0.2
REVENUE AUDITOR 3	70,800				0.2	0.2
TAX INFO SPEC 1	46,596		0.4	0.2	0.2	0.2
TAX POLICY SP 2	78,120		0.1	0.1		
TAX POLICY SP 3	88,416		0.2	0.1	0.1	0.1
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 2	98,456		0.2	0.1		
WMS BAND 3	111,992		0.0	0.0		
<b>Total FTEs</b>			3.0	1.5	2.4	2.2

**III. C - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

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

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

Should this legislation become law, the department will use the expedited process to amend WAC 458-20-195, titled: "Taxes and deductibility" and WAC 458-20-217, titled: "Liens for taxes." Persons affected by this rulemaking would include retailers and buyers of smart wireless devices.



# Multiple Agency Ten-Year Analysis Summary

<b>Bill Number</b> 2327 HB	<b>Title</b> Digital equity/revenue
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimated Cash Receipts

	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Joint Legislative Audit and Review Committee	0	0	0	0	0	0	0	0	0	0	0
Office of State Treasurer	0	0	0	0	0	0	0	0	0	0	0
Department of Revenue	0	-40,700,000	-75,300,000	-77,700,000	-80,000,000	-82,300,000	-84,900,000	-87,600,000	-90,400,000	-93,500,000	-712,400,000
<b>Total</b>	<b>0</b>	<b>-40,700,000</b>	<b>-75,300,000</b>	<b>-77,700,000</b>	<b>-80,000,000</b>	<b>-82,300,000</b>	<b>-84,900,000</b>	<b>-87,600,000</b>	<b>-90,400,000</b>	<b>-93,500,000</b>	<b>-712,400,000</b>





# Ten-Year Analysis

<b>Bill Number</b> 2327 HB	<b>Title</b> Digital equity/revenue	<b>Agency</b> 014 Joint Legislative Audit and Review Committee
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

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

Name of Tax or Fee	Acct Code											

Agency Preparation: Vivien Chen	Phone: 360-786-5171	Date: 1/18/2024 1:54:59 pm
Agency Approval: Eric Thomas	Phone: 360 786-5182	Date: 1/18/2024 1:54:59 pm
OFM Review:	Phone:	Date:



# Ten-Year Analysis

<b>Bill Number</b> 2327 HB	<b>Title</b> Digital equity/revenue	<b>Agency</b> 090 Office of State Treasurer
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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**

<b>Name of Tax or Fee</b>	<b>Acct Code</b>												
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Agency Preparation: Mandy Kaplan	Phone: (360) 902-8977	Date: 1/30/2024 11:48:03 pm
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 1/30/2024 11:48:03 pm
OFM Review:	Phone:	Date:



# Ten-Year Analysis

<b>Bill Number</b> 2327 HB	<b>Title</b> Digital equity/revenue	<b>Agency</b> 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

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

## Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	Fiscal Year 2032	Fiscal Year 2033	2024-33 TOTAL
Retail Sales Tax	001		(47,800,000)	(92,500,000)	(95,000,000)	(97,400,000)	(99,800,000)	(102,500,000)	(105,300,000)	(108,300,000)	(111,500,000)	(860,100,000)
Wireless device tax	N01		7,100,000	17,200,000	17,300,000	17,400,000	17,500,000	17,600,000	17,700,000	17,900,000	18,000,000	147,700,000
<b>Total</b>			<b>(40,700,000)</b>	<b>(75,300,000)</b>	<b>(77,700,000)</b>	<b>(80,000,000)</b>	<b>(82,300,000)</b>	<b>(84,900,000)</b>	<b>(87,600,000)</b>	<b>(90,400,000)</b>	<b>(93,500,000)</b>	<b>(712,400,000)</b>
<b>Biennial Totals</b>			<b>(40,700,000)</b>	<b>(153,000,000)</b>	<b>(162,300,000)</b>	<b>(172,500,000)</b>	<b>(183,900,000)</b>	<b>(183,900,000)</b>	<b>(183,900,000)</b>	<b>(183,900,000)</b>	<b>(183,900,000)</b>	<b>(712,400,000)</b>

## Narrative Explanation (Required for Indeterminate Cash Receipts)

### CURRENT LAW:

Consumers purchasing smart wireless devices pay retail sales and use taxes.

### PROPOSAL:

This legislation creates a new tax of \$2 per device on each retail sale of a smart wireless device with a selling price of more than \$250. All revenue from this new tax is deposited into the Learning Device and Technology Account created by this legislation. If any seller fails to collect this tax or, having collected the tax, fails to pay it to the Department of Revenue (department), the seller is personally liable to the state for the tax. This tax must be stated separately from the selling price on any invoice or other instrument of sale.

Beginning January 1, 2025, at the beginning of each quarter, the State Treasurer shall transfer 50% of the state retail sales tax collected on the sale of smart wireless devices into the Learning Device and Technology Account. At least 30 days before the start of each new quarter, the department shall notify the State Treasurer of the amount of state sales tax revenue to transfer from the General Fund to the Learning Device and Technology Account.

Smart wireless device means any type of instrument, device, machine, or equipment capable of wireless access to the internet.



# Ten-Year Analysis

<b>Bill Number</b> 2327 HB	<b>Title</b> Digital equity/revenue	<b>Agency</b> 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Narrative Explanation (Required for Indeterminate Cash Receipts)

Beginning January 1, 2025, radio communications service companies, local exchange companies, and interconnected Voice Over Internet Protocol service companies must include a request for voluntary contributions to the State Digital Equity Account as part of the regular subscriber billings. The department must establish a process for these voluntary contributions to be transmitted to the department.

This legislation creates the Learning Device and Technology Account. Expenditures from the account must be used for the Digital Equity Planning Grant Program.

By January 1, 2031, the Joint Legislative Audit and Review Committee must review the effectiveness of the increased funding to the various digital equity programs.

### EFFECTIVE DATE:

This bill takes effect on January 1, 2025, however, due to the time it will take to program this bill's changes, the department cannot implement the donations from subscribers of radio communications service companies, local exchange companies, or interconnected Voice Over Internet Protocol service companies (section 8) until January 1, 2026.

### ASSUMPTIONS:

- The Office of the State Treasurer's fiscal note reflects the transfer from the General Fund to the Learning Device and Technology Account.
- Quarterly state retail sales tax transfers will be from the General Fund. State retail sales tax deposited in the Performance Audits of Government Account is unaffected.
- The quarterly transfer of state retail sales tax on the sale of smart wireless devices from the General Fund will occur at the beginning of each calendar quarter.
  - The transfer on January 1 will be for revenue collections during quarter 3 of the previous year.
  - The transfer on April 1 will be for revenue collections from quarter 4 of the previous year.
  - The transfer on July 1 will be for revenue collections from quarter 1 of the current year.
  - The transfer on October 1 will be for revenue collections from quarter 2 of the current year.
- Taxpayers report all state retail sales tax to the department in total. Thus, the department will use outside data sources to estimate the quarterly transfer of state retail sales tax on the sale of smart wireless devices.
- The revenue impact of possible donations from subscribers of radio communications service companies, local exchange companies, or interconnected Voice Over Internet Protocol service companies is unknown.
- Washington represents 2.33% of the United States population.
- For purposes of this estimate, "wireless devices" include:
  - Smartphones, Smart home products (including wearables), Laptops/tablets, Smart TV's, Health and fitness technology, and Gaming consoles.
- NEW Fund: Learning Device and Technology Account
- NEW Source: Wireless Device Tax



# Ten-Year Analysis

Bill Number	Title	Agency
2327 HB	Digital equity/revenue	140 Department of Revenue

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

## Narrative Explanation (Required for Indeterminate Cash Receipts)

- The tax of \$2 per device on each smart wireless device retail sale with a selling price of more than \$250 impacts five months of collections in fiscal year 2025.
- The state retail sales tax transfer on the sale of smart wireless devices with a selling price of more than \$250 impacts six months of collections in fiscal year 2025.

### DATA SOURCES:

- U.S. Census Bureau, 2023 population estimates.
- Statista.com, U.S. consumer electronics industry shipment volume for 2021, by selected product
- Statista.com, U.S. consumer electronics industry forecasted volume by segment
- Statista.com, Video game console market revenue in the United States 2018-2028
- Statista.com, Computer hardware market revenue in the United States from 2018 to 2028, by segment
- Statista.com, Consumer Electronics Market, television revenues
- Statista.com, Smart home revenue in the United States 2019-2028, by segment
- Statista.com, Video game console market revenue in the United States 2018-2028
- Statista.com, U.S. digital health and fitness market revenues 2019-2026, by segment
- Mordorintelligence.com, US Smart TV Market Size

### REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$40.7 million in the five months of impacted collections in fiscal year 2025, and by \$75.3 million in fiscal year 2026, the first full year of impacted collections.

### TOTAL REVENUE IMPACT:

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

FY 2024 -	\$ 0
FY 2025 -	(\$ 40,700)
FY 2026 -	(\$ 75,300)
FY 2027 -	(\$ 77,700)
FY 2028 -	(\$ 80,000)
FY 2029 -	(\$ 82,300)

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



# Ten-Year Analysis

<b>Bill Number</b> 2327 HB	<b>Title</b> Digital equity/revenue	<b>Agency</b> 140 Department of Revenue
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Agency Preparation: Beth Leech	Phone: 360-534-1513	Date: 1/30/2024 5:57:08 pm
Agency Approval: Valerie Torres	Phone: 360-534-1521	Date: 1/30/2024 5:57:08 pm
OFM Review:	Phone:	Date: