

Multiple Agency Fiscal Note Summary

Bill Number: 2425 HB	Title: Rental support program
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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
Department of Revenue	(1,500,000)	(1,500,000)	(1,500,000)	(9,370,000)	(9,370,000)	(9,370,000)	(10,060,000)	(10,060,000)	(10,060,000)
Total \$	(1,500,000)	(1,500,000)	(1,500,000)	(9,370,000)	(9,370,000)	(9,370,000)	(10,060,000)	(10,060,000)	(10,060,000)

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Fiscal note not available					
Local Gov. Total						

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
Department of Revenue	1.6	411,800	411,800	411,800	2.9	551,900	551,900	551,900	2.5	454,600	454,600	454,600
Total \$	1.6	411,800	411,800	411,800	2.9	551,900	551,900	551,900	2.5	454,600	454,600	454,600

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2023-25			2025-27			2027-29		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	Fiscal note not available								
Local Gov. Total									

Estimated Capital Budget Breakout

This preliminary package is incomplete. Other impacted agencies' fiscal notes will be distributed as soon as possible.

Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Preliminary 1/25/2024
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Department of Revenue Fiscal Note

Bill Number: 2425 HB	Title: Rental support program	Agency: 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		(1,500,000)	(1,500,000)	(9,370,000)	(10,060,000)
Total \$		(1,500,000)	(1,500,000)	(9,370,000)	(10,060,000)

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		3.1	1.6	2.9	2.5
Account					
GF-STATE-State 001-1		411,800	411,800	551,900	454,600
Total \$		411,800	411,800	551,900	454,600

Estimated Capital Budget Impact:

NONE

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

Check applicable boxes and follow corresponding instructions:

- 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: Serena Dolly	Phone: 60-786-7150	Date: 01/22/2024
Agency Preparation: Stephen Cleverdon	Phone: 60-534-1523	Date: 01/25/2024
Agency Approval: Valerie Torres	Phone: 60-534-1521	Date: 01/25/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/25/2024

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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.

Note: This fiscal note reflects a revision to the revenue impacts, and replaces fiscal note number 2425-1.

CURRENT LAW:

The state retail sales tax rate is 6.5%. The General Fund receives state retail sales tax, except as follows:

- The Multimodal Transportation Account receives the 0.3% additional tax on motor vehicle sales or leases.
- The Advanced Environmental Mitigation Account receives the tax from sales of leaded racing fuel.
- The Statewide Tourism Marketing Account receives 0.2% of the tax from lodging, car rentals, and restaurants, not exceeding \$3 million per biennium.
- The Office of the Washington State Auditor receives 0.16% of these taxes to fund comprehensive performance audits.
- Certain local governments receive a share of the state sales tax.
- Tribes with compacts receive a share of the state sales tax.

PROPOSAL:

Under this bill, municipalities receive 0.5% of the state sales tax on new residential construction where the construction occurred. This revenue funds a new rental support program.

The municipalities may loan administrators the projected program income. An administrator is either a local public housing authority or a nonprofit organization. The administrator receives 5% of the distribution. Administrators provide the money to certain low-income individuals for housing rent assistance.

EFFECTIVE DATE:

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

The state begins distributing sales tax to local municipalities on July 1, 2024. However, due to the time it will take to program the Department of Revenue's (department) computer system to accept a breakdown from taxpayers between new residential construction and all other sales, the department cannot implement the bill until January 1, 2025.

The local administrators of the new rental support program must begin accepting applications on January 1, 2025.

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:

- In tax year 2023, about \$23 billion of new residential construction occurred.
- The contractor/builder's gross profit margin is 18.2%.
- Salaries and wages make up 10% of the value of newly built residential construction and sales tax does not apply to salaries and wages.
- The taxable costs associated with residential construction is \$12.9 billion.
- local governments (municipalities) receive an amount equal to 0.5% of the state sales tax from the General Fund for the purpose of low-income rental assistance.
- The Performance Audits of Government Account receives a 0.16% share of retail sales and use tax collections. The transfer excludes these amounts.
- The department receives the taxes from monthly taxpayers the month after the business collects the sales tax from the consumer. Most local tax distributions occur the month after the department receives sales and use taxes that businesses

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collect. This leads to a one-month delay in revenues for the state and a two-month delay in revenues for local jurisdictions.
- The department will implement this bill on January 1, 2025, and impact four months of collections in fiscal year 2025. Municipalities will receive their first distribution in March of 2025.

DATA SOURCES:

- County property tax assessment rolls
- County assessor data
- Department of Revenue, Excise tax data
- National Association of Home Builders
- Economic Revenue Forecast Council, General Fund State Forecast

REVENUE ESTIMATES:

This bill decreases state revenues by an estimated \$1.5 million in the four months of impacted collections in fiscal year 2025, and by \$4.6 million in fiscal year 2026, the first full year of impacted collections.

This bill increases local revenues by an estimated \$1.5 million in the four months of impacted collections in fiscal year 2025, and by \$4.6 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 -	(\$ 1,500)
FY 2026 -	(\$ 4,600)
FY 2027 -	(\$ 4,770)
FY 2028 -	(\$ 4,940)
FY 2029 -	(\$ 5,120)

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

FY 2024 -	\$ 0
FY 2025 -	\$ 1,500
FY 2026 -	\$ 4,600
FY 2027 -	\$ 4,770
FY 2028 -	\$ 4,940
FY 2029 -	\$ 5,120

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 21,000 residential construction businesses.
- Expenditures assume that the department will provide funding reports to the Office of the State Treasurer (OST) who will distribute to the municipalities from the General Fund.
- Expenditures assume the 0.5 percent sales tax will be calculated independent of current tribal revenue sharing and local tax distributions. If tribal sharing or local distribution amounts must be adjusted because of this legislation, our associated costs will be much higher and will require additional system enhancements.
- Expenditures assume an effective date of January 1, 2025, providing the department with nine 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 \$411,800 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 3.1 FTEs.

- Set up, program, and test computer system to create an informational addendum for business to report residential construction sales by appropriate local code.
- Create new funding reports.
- Create a new paper addendum and update systems to process the addendum.
- Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses, individuals, and accountants.
- Process returns and addendums, assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Monitor and adjust local tax funding reports and provide monthly to OST.
- Routine audits will require additional time to review and correct addendum reporting.

Object Costs - \$58,000.

- Contract computer system programming.
- Acquire an additional agent seat license at the telephone information center.
- Print and mail reporting addendums and subsequent correspondence to taxpayers who do not file returns electronically.

THIRD YEAR COSTS:

The Department will incur total costs of \$324,600 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 3.3 FTEs.

- Ongoing testing and maintenance of computer systems.
- Answer phone calls at the telephone information center on tax questions and tax return preparation from businesses, individuals, and accountants.
- Process returns and addendums, assist taxpayers with reporting questions and respond to inquiries via email, web message, and paper correspondence.
- Examine accounts and make corrections as necessary.
- Monitor and adjust local tax funding reports and provide monthly to OST.
- Routine audits will require additional time to review and correct addendum reporting.
- Hear additional administrative reviews that provide taxpayers with an informal, non-adversarial dispute resolution process for the review of a disputed action by the department, such as an assessment of taxes, notice of taxes due, denial of a refund request, or tax ruling.

Object Costs - \$1,400.

- Print and mail reporting addendums and subsequent correspondence to taxpayers who do not file returns electronically.

ONGOING COSTS:

Ongoing costs for fiscal year 2027 equal \$227,300 and include similar activities described in the third-year costs. Time and effort equate to 2.5 FTEs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		3.1	1.6	2.9	2.5
A-Salaries and Wages		212,900	212,900	344,500	286,600
B-Employee Benefits		70,200	70,200	113,500	94,400
C-Professional Service Contracts		54,200	54,200		
E-Goods and Other Services		51,800	51,800	69,700	56,000
G-Travel		700	700	2,200	2,200
J-Capital Outlays		22,000	22,000	22,000	15,400
Total \$		\$411,800	\$411,800	\$551,900	\$454,600

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

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EXCISE TAX EX 2	58,104		0.6	0.3	1.0	0.8
EXCISE TAX EX 3	64,092		0.4	0.2	0.6	0.5
FORMS AND RECORDS ANALYSIS	42,444		0.2	0.1	0.2	0.2
1						
IT B A-JOURNEY	91,968		0.8	0.4	0.2	
IT SYS ADM-JOURNEY	96,552		0.2	0.1		
REVENUE AUDITOR 2	64,092		0.2	0.1	0.3	0.3
TAX INFO SPEC 1	46,596		0.5	0.3	0.5	0.5
TAX INFO SPEC 2	50,088		0.1	0.1	0.1	0.1
TAX POLICY SP 3	88,416				0.1	0.1
WMS BAND 2	98,456		0.1	0.1		
Total FTEs			3.1	1.6	2.9	2.5

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