Department of Revenue Fiscal Note

Bill Number:	6137 SB S-5246.1/20	Title:	Cooperative finance org. B&O	Agency:	140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Account	FY 2020	FY 2021	2019-21	2021-23	2023-25
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax		(148,000)	(148,000)	(394,000)	(394,000)
Workforce Educationa Investment Account-State 01 - Taxes 05 - Bus and Occup Tax		(30,000)	(30,000)	(80,000)	(80,000)
Total $		(178,000)	(178,000)	(474,000)	(474,000)

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		0.2	0.1		
Account					
GF-STATE-State 001-1		24,400	24,400		
Total $		24,400	24,400		

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.

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Part II: Narrative Explanation

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

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note reflects Senate amendment S-5246.1 to SB 6137, 2020 Legislative Session.

This bill creates a business and occupation (B&O) tax deduction for amounts received by cooperative finance organizations where the amounts are derived from loans to rural electric cooperatives or other non-profit or governmental providers of utility services organized under Washington's laws.

A cooperative finance organization means a non-profit organization with the primary purpose of providing, securing, or otherwise arranging financing for rural electric cooperatives.

A rural electric cooperative means a non-profit customer-owned organization that provides utility services to rural areas.

The B&O tax deduction expires January 1, 2030.

This bill takes effect on July 1, 2020.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS
- Only one taxpayer qualifies for this deduction. The taxpayer has no significant growth in gross or taxable revenue, so this estimate assumes no growth through January 1, 2030.
- Amounts derived from loans to rural electric cooperatives or other non-profit or governmental providers of utility services organized under Washington's laws represent 96.4 percent of the gross Service and Other Activities income of the taxpayer.
- The taxpayer is subject to the Workforce Education Surcharge.
- The taxpayer reports on a quarterly basis; estimate reflects 9 months of cash collections for Fiscal Year 2021.

DATA SOURCES
- Department of Revenue Excise Tax data

REVENUE ESTIMATES
This bill decreases state revenues by an estimated $178,000 in the 9 months of impacted collections in Fiscal Year 2021, and by $237,000 in Fiscal Year 2022, the first full year of impacted collections. There is no Local Government impact.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
FY 2020 - $ 0
FY 2021 - $ (178)
FY 2022 - $ (237)
FY 2023 - $ (237)
FY 2024 - $ (237)
FY 2025 - $ (237)

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS:
This bill affects one taxpayer.

FIRST YEAR COSTS:
The Department of Revenue (Department) will not incur any costs in Fiscal Year 2020.

SECOND YEAR COSTS:
The Department will incur total costs of $24,400 in Fiscal Year 2021. These costs include:

Labor Costs - Time and effort equates to 0.2 FTEs.
- Test and verify computer system changes to create a new business and occupation tax deduction and modify reports as needed.
- Respond to additional telephone questions, email and written correspondence.
- Examine accounts and make corrections as necessary.

Object Costs - $4,400.
- Contract computer system programming.

ONGOING COSTS:
There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		0.2	0.1		
A-Salaries and Wages		12,700	12,700		
B-Employee Benefits		3,800	3,800		
C-Professional Service Contracts		4,400	4,400		
E-Goods and Other Services		2,200	2,200		
J-Capital Outlays		1,300	1,300		
Total $		$24,400	$24,400		

III. B - 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 2020	FY 2021	2019-21	2021-23	2023-25
EXCISE TAX EX 3	57,948		0.1	0.1		
MGMT ANALYST4	68,892		0.1	0.1		
Total FTEs			0.2	0.1		

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

NONE

None.

Part V: New Rule Making Required