Multiple Agency Fiscal Note Summary

Bill Number: 5515 SB	**Title:** Hospitality employment/B&O

Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Department of Revenue	(36,000)	(36,000)	(36,000)	(147,000)	(147,000)	(147,000)	(151,000)	(151,000)	(151,000)
Total $	**(36,000)**	**(36,000)**	**(36,000)**	**(147,000)**	**(147,000)**	**(147,000)**	**(151,000)**	**(151,000)**	**(151,000)**

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.1	156,800	156,800	156,800	.0	0	0	0	.0	0	0	0
Employment Security Department	.0	0	0	0	.0	0	0	0	.0	0	0	0
Total $	**0.1**	**156,800**	**156,800**	**156,800**	**0.0**	**0**	**0**	**0**	**0.0**	**0**	**0**	**0**

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Employment Security Department	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Estimated Capital Budget Breakout

NONE

Prepared by: Cheri Keller, OFM	**Phone:** (360) 584-2207	**Date Published:** Final

FNPID 63645

FNS029 Multi Agency rollup

Department of Revenue Fiscal Note

Bill Number: 5515 SB	Title: Hospitality employment/B&O	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

Account	FY 2022	FY 2023	2021-23	2023-25	2025-27
GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax		(36,000)	(36,000)	(147,000)	(151,000)
Total $		(36,000)	(36,000)	(147,000)	(151,000)

Estimated Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1	0.1	0.1		
Account					
GF-STATE-State 001-1	146,200	10,600	156,800		
Total $	146,200	10,600	156,800		

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:	Clinton McCarthy	Phone: 360-786-7319	Date: 01/10/2022
Agency Preparation:	Beth Leech	Phone: 360-534-1513	Date: 01/17/2022
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 01/17/2022
OFM Review:	Cheri Keller	Phone: (360) 584-2207	Date: 01/17/2022

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 .

CURRENT LAW:
There is no business and occupation (B&O) tax credit for qualified employment positions in the accommodation and hospitality service industry.

PROPOSAL:
This bill provides a B&O tax credit of $275 for each qualified employment position created after July 1, 2022, in an eligible area. The employer earns the credit for the calendar year the person is hired and the four subsequent consecutive years, if the employer maintains the position for those four years.

A credit may not be taken for persons hired into positions that exist on July 1, 2022, but for new employees hired for new positions created after July 1, 2022. New positions filled by existing employees are eligible for the credit if the position vacated by the existing employee is filled by a new hire. A newly created position is eligible for the full yearly credit if filled before July If it is filled after June 30, the position is eligible for half of the yearly credit.

This credit does not require an application. By December 1 of each year, the Department of Revenue (Department) must determine eligible areas for the following calendar year. An area remains an eligible area for three consecutive years. Qualified employment positions created prior to any calendar year in which an area is later determined to be ineligible continue to earn credit.

If the Department determines that a person is not eligible for the tax credit, the amount of taxes for which the credit has been claimed is immediately due with interest at the rate for delinquent excise taxes, but not penalties.

The Employment Security Department (ESD) must provide the Department with any information needed to verify eligibility.

Definitions:
- Qualified employment position means a permanent full-time position for the eligible person in a hospitality industry with annua wages exceeding the average annual wage for the county.
- Eligible area means a county in which the county unemployment rate is at least 25 percent greater than the statewide unemployment rate.
- Average annual wage for the county is the average annual wage reported by the ESD in its quarterly census of employment and wages for the calendar year prior to the year of employment.
- Unemployment rate means the unemployment rate for the state and counties provided by the ESD in the seasonally adjusted monthly employment report for September of the prior year. For employment positions created between July 1, 2022 and December 31, 2022 the monthly employment report for April must be used.
- Hospitality industry means a business engaged in providing accommodation services, good services, amusement and recreation services, or any combination of such services.

EFFECTIVE DATE:
This bill takes effect on July 1, 2022.

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:
- The state wide unemployment rate is 3.4 %. Eligible areas have an unemployment rate of at least 4.25%.
- November 2021 unemployment data is similar to September 2021 unemployment data. Based on this data the following nine counties qualify as an eligible area. The average hourly wage, as determined by ESD's quarterly census of employment and wages for each county is also listed: Ferry (25.80), Franklin(27.90), Grant(29.57), Grays Harbor(27.56), Mason(27.93), Okanogan(23.33), Pacific(24.38), Pend Oreille(30.37), and Yakima(26.23).
- February 2020 employment data was used to approximate pre-pandemic employment. To approximate the lost positions due to the pandemic, this data was compared to June 2020 employment data. This resulted in approximately 800 businesses that lost employment during this time in the eligible counties and job classifications.
- Less than 50 businesses paid wages in 2021 higher than the average wage for the county in 2020. Of these, less than 20 businesses had a B&O tax liability sufficient to earn an employment credit in 2021.
- One full time equivalent employee works 2080 hours in a year.
- The average work week is 32.4 hours, which translates to 1685 hours worked in a year. Average hourly wage by county was determined.
- Wages in the hospitality sector increased 18.4% in 2021.
- Newly created positions will be filled before July 1st of each year and qualify for a full yearly credit.
- Growth in this B&O credit mirrors the Economic and Revenue Forecast Council November 2021 Employment Forecast.

DATA SOURCES:
- Employment Security Department, unemployment and wage data
- Department excise tax data
- Pewresearch.org, "Many U.S. workers are seeing bigger paychecks in pandemic era, but gains aren't spread evenly "
- Economic and Revenue Forecast Council November 2021 Employment Forecast

REVENUE ESTIMATES:
This bill decreases state revenues by an estimated $29,000 in Fiscal Year 2023, and by $59,000 in Fiscal Year 2024.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
FY 2022 - $ 0
FY 2023 - ($ 36)
FY 2024 - ($ 73)
FY 2025 - ($ 74)
FY 2026 - ($ 75)
FY 2027 - ($ 76)

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

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

ASSUMPTIONS:
This legislation will affect 20 taxpayers.

FIRST YEAR COSTS:
The Department will incur total costs of $146,200 in Fiscal Year 2022. These costs include :

Labor Costs - Time and effort equates to 0.1 FTE.
- System programming and configuration.

Object Costs - $132,000.
- Contract computer system programming.

SECOND YEAR COSTS:
The Department will incur total costs of $10,600 in Fiscal Year 2023. These costs include :

Labor Costs - Time and effort equates to 0.1 FTE.
- Create a Special Notice and identify publications and information that need to be created or updated on the Department's website.
- Respond to tax ruling requests, email inquiries, and more difficult call backs from the telephone information center.

ONGOING COSTS:
There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1	0.1	0.1		
A-Salaries and Wages	9,000	6,400	15,400		
B-Employee Benefits	3,200	2,300	5,500		
C-Professional Service Contracts	132,000		132,000		
E-Goods and Other Services	1,300	1,200	2,500		
J-Capital Outlays	700	700	1,400		
Total $	$146,200	$10,600	$156,800		

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 2022	FY 2023	2021-23	2023-25	2025-27
IT SYS ADM-JOURNEY	89,916	0.1		0.1		
TAX INFO SPEC 4	64,332		0.1	0.1		
Total FTEs		0.1	0.1	0.1		

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

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and dexcribe potential financing methods

NONE

None.

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 5515 SB	Title: Hospitality employment/B&O	Agency: 540-Employment Security Department

Part I: Estimates

[X] **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

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:	Clinton McCarthy	Phone: 360-786-7319	Date: 01/10/2022
Agency Preparation:	Lesley Carpenter	Phone: 360 902-9404	Date: 01/11/2022
Agency Approval:	Danielle Cruver	Phone: 360-810-0901	Date: 01/11/2022
OFM Review:	Anna Minor	Phone: (360) 790-2951	Date: 01/12/2022

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.

This bill creates a Business & Occupation tax credit for employers in the hospitality industry located in counties with high unemployment rates who then hire full-time employees to positions with annual wages that exceed the average annual wage in the county.

Sec. 1(6) requires Employment Security to provide any information to Revenue that Revenue needs to verify eligibility for this tax credit.

Sec. 1(7)(c), (i) explicitly relies on Employment Security aggregate wage data for the various counties and published seasonally adjusted monthly unemployment rates for the state and the various counties as part of the criteria for determining if a particular business qualifies for the B&O tax credit.

Department of Revenue currently has a data-sharing agreement with Employment Security to access the data it needs to verify eligibility under this bill (employee names, social security numbers, quarterly hours, quarterly wages), and currently does access that data under other tax credit programs that Revenue also administers that rely on the same Employment Security data.

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.

Because the Department of Revenue will be using the same process to access the same data it already accesses, there is no anticipated increase in cash receipts as a result of this bill.

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.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

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*

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

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

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

NONE

Part V: New Rule Making Required