Department of Revenue Fiscal Note

Bill Number: 5799 SB	Title: Workforce surcharge/clinics	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
Workforce Educationa Investment Account-State 01 - Taxes 05 - Bus and Occup Tax		(1,100,000)	(1,100,000)	700,000	2,700,000
Total $		(1,100,000)	(1,100,000)	700,000	2,700,000

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:	Clinton McCarthy	Phone: 360-786-7319	Date: 01/11/2022
Agency Preparation:	Melissa Howes	Phone: 360-534-1518	Date: 01/17/2022
Agency Approval:	Valerie Torres	Phone: 360-534-1521	Date: 01/17/2022
OFM Review:	Cheri Keller	Phone: (360) 584-2207	Date: 01/18/2022

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:
A workforce education investment surcharge of 1.22% is imposed on select advanced computing businesses. This surcharge applies to the taxable amounts subject to the service and other activities business and occupation (B&O) tax and is in addition to the service and other activities B&O tax.

The amount of workforce education investment surcharge paid by all members of an affiliated group is capped at $9 million per calendar year.

Hospitals are exempt from the workforce education investment surcharge.

Provider clinics and affiliated organizations are subject to the workforce education investment surcharge if they are affiliated with a select advanced computing business.

The service and other activities B&O tax is equal to the gross income of the business multiplied by the rate of :
- 1.75%, or
- 1.5% for any business subject to the workforce education investment surcharge.

Revenues from the workforce education investment surcharge are deposited into the workforce education investment account.

PROPOSAL:
This bill exempts from the workforce education investment surcharge a provider clinic offering primary care, multispecialty and surgical services, including behavioral health services, and any affiliate of the provider clinic, if the affiliate is an organization tha offers health care services or provides administrative support for a provider clinic, or is an independent practice association or accountable care organization.

"Health care services" means services offered by health care providers relating to the prevention, cure, or treatment of illness, injury, or disease.

"Primary care" means wellness and prevention services and the diagnosis and treatment of health conditions.

The bill also clarifies that the workforce education investment surcharge exemptions do not apply to amounts received by any member of an affiliated group other than those businesses specifically defined as exempt.

EFFECTIVE DATE:
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
- This legislation takes effect July 1, 2022. It impacts one quarter of workforce education investment surcharge collections and 11 months of service and other activities tax collections in Fiscal Year 2023.
- The workforce education investment surcharge tax return is filed quarterly. Fiscal Year 2023 quarter 2 return is due July

31, 2023, resulting in cash collections for this quarter occurring in Fiscal Year 2024.
- Taxpayers meet the workforce education investment surcharge $9 million cap in the first two quarters of a calendar year.
- Taxpayers who are subject to the workforce education investment surcharge pay the service and other activities tax at the 1.5% rate. Taxpayers who are exempt from the workforce education investment surcharge will pay the service and other activities tax at the 1.75% rate.
- The service and other activities tax is reported on each affiliated entity's excise tax return, which is filed monthly.

DATA SOURCES
- Washington State Department of Revenue excise tax data
- Economic and Revenue Forecast Council November 2021 forecast

REVENUE ESTIMATES
This bill decreases state revenues by an estimated $1.1 million in the 11 months of impacted collections in Fiscal Year 2023 and increases state revenues by an estimate $100,000 in Fiscal Year 2024, the first full year of impacted collections.

TOTAL REVENUE IMPACT:

State Government (cash basis, $000):
FY 2022 - $ 0
FY 2023 - ($ 1,100)
FY 2024 - $ 100)
FY 2025 - $ 600)
FY 2026 - $ 1,100
FY 2027 - $ 1,600

Local Government (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

The Department will have minimal costs to implement this legislation and will absorb within current funding.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

NONE

III. B - Detail: *List FTEs by classification and corresponding annual compensation . Totals need to 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

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