Individual State Agency Fiscal Note

Bill Number: S 4500	Bill Title: AN ACT Relating to the definition of "rural county" for purposes of public facilities funding	Agency: 140 Department of Revenue

Part I: Estimates

[ ] No Fiscal Impact

Estimated Cash Receipts to:

Fund	Fiscal Year 2026	Fiscal Year 2027	2025-2027 Total	2027-29 Biennium	2029-31 Biennium
Total					

Estimated Expenditures from:

	Fiscal Year 2026	Fiscal Year 2027	2025-2027 Total	2027-29 Biennium	2029-31 Biennium
FTE Staff Years	.19	.3	.24		
Fund					
GF-State 001	25,800	41,300	67,100		
Total	25,800	41,300	67,100		

The revenue and expenditures 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.
[X] 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:	**WILLIAM BRIDGES**	**Phone:**	**360-786-7424**	**Date:**	**1/30/2026**
Agency Preparation:	**DIANA TIBBETTS**	**Phone:**	**(360) 534-1520**	**Date:**	**1/30/2026**
Agency Approval	**Valerie Torres**	**Phone:**	**(360) 534-1521**	**Date:**	**2/3/2026**
OFM Review:		**Phone:**		**Date:**	

Part II: Narrative Explanation

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

CURRENT LAW:
Rural counties may impose a state-shared tax to finance public facilities that serve economic development purposes. The tax rate is up to 0.09%. Rural counties are counties with a population density of less than 100 people per square mile or an area of less than 225 square miles.

In addition to the rural county tax, the definition of rural county (RCW 82.14.370) is used for the new employee business and occupation (B&O) tax credit. This credit is for new qualified employment positions at eligible business projects in rural counties. The credit is worth $4,000 for each qualified employment position with wages and benefits over $40,000 annually, or $2,000 for each qualified employment position with wages and benefits of $40,000 or less annually, that is directly created in an eligible business project. The B&O credit has an annual cap of $7.5 million.

PROPOSAL:
This bill additionally allows a county with a population density of 100 people per square mile or greater, with no city with a population greater than 45,000 people, to meet the definition of a rural county.

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

II. B - Revenue Impact

ASSUMPTIONS:
- This legislation results in no revenue impact on taxes the Department of Revenue (department) administers.
- This proposal adds Cowlitz County as a rural county.
- Cowlitz County imposed the rural county tax before August 1, 2009, which allows the county to continue to receive rural county tax distributions until December 31, 2054.
- The local impact is beyond the timeframe of this fiscal note.

DATA SOURCES:
Office of Financial Management, Population forecasts and projections

II. C - Expenditure Impact

ASSUMPTIONS:
Implementation of this legislative proposal will require additional tribal consultation. While the exact level of engagement required is unknown, the department will incur costs for tribal consultation and will absorb them within current funding.

FIRST YEAR COSTS:
The department will incur total costs of $25,800 in fiscal year 2026. These costs include:

Labor Costs – Time and effort equate to 0.19 FTE.
- Create a special notice and update relevant information on the department's website.
- As a part of implementing this legislation, the department will incur additional costs for engaging in tribal consultation, and those costs will be absorbed within current funding.

SECOND YEAR COSTS:
The department will incur total costs of $41,300 in fiscal year 2027. These costs include:

Labor Costs – Time and effort equate to 0.3 FTE.
- Amend one administrative rule.
- Amend two excise tax advisories.
- Set up, program, and test computer system changes.
- As a part of implementing this legislation, the department will incur additional costs for engaging in tribal consultation, and those costs will be absorbed within current funding.

Object Costs - $500.
- Computer system changes, including contract programming.

ONGOING COSTS:
There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object or Purpose:

	Fiscal Year 2026	Fiscal Year 2027	2025-2027 Total	2027-29 Biennium	2029-31 Biennium
Salaries and Wages	16,400	26,700	43,100		
Benefits	5,900	9,600	15,500		
Personal Service Contracts		500	500		
Supplies & Material	2,700	3,500	6,200		
Office Equipment	800	1,000	1,800		
Total	25,800	41,300	67,100		

III. B - FTE Detail:

Job Classification	Salary	FY 2026 FTEs	FY 2027 FTEs	2025 - 2027 Total	2027 - 2029	2029 - 2031
EMS BAND 4	139,704		.01	.01		
EMS BAND 5	163,205		.01	.01		
IT SYS ADM-JOURNEY	102,427		.2	.1		
MGMT ANALYST4	80,822		.01	.01		
TAX POLICY SP 2	82,874	.12	.01	.07		
TAX POLICY SP 3	93,800	.06	.04	.05		
TAX POLICY SP 4	100,981		.01	.01		
WMS BAND 2	100,662	.01		.01		
WMS BAND 3	114,564		.01	.01		
Total		.19	.3	.28		

III. C - Expenditures by Program (optional):

	Fiscal Year 2026	Fiscal Year 2027	2025-2027 Total	2027-29 Biennium	2029-31 Biennium
Total					

Part IV: Capital Budget Impact

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None.

Part V: New Rule Making Required

Should this legislation become law, the department will use the expedited process to amend WAC 485-20-240, titled: "Manufacturer's new employee tax credits."

This rulemaking would affect rural data centers, certain manufacturers, and research and development facilities.

Revenue Impact Detail

			First Biennium		Second Biennium		Third Biennium	
FUND	SOURCE	CODE	1st YEAR	2nd YEAR	3rd YEAR	4th YEAR	5th YEAR	6th YEAR
Total								
OTHER								
Total								
Net								

Revenue Impact - by Biennium

FUND	SOURCE	CODE	1st Biennium	2nd Biennium	3rd Biennium
Total					
OTHER					
Total					
Net					