AGENDA

Tax Structure Work Group Meeting – November 14, 2022, 8:00 a.m. – 11:00 a.m.

Virtual meeting via Zoom Webinar

1. **Work Group Members and Presenters**:
   - Only **WORK GROUP MEMBERS** and **PRESENTERS** will be able to enter the event as panelists. All others must enter the event as attendees.
   - Work group members and presenters will be able to enter the Webinar starting at 7:30 a.m.
   - **Panelists via Web:** https://us06web.zoom.us/j/86854270900
   - **Webinar ID:** 868 5427 0900

2. **Meeting Attendees:**
   - **Attendees via Web:** https://us06web.zoom.us/j/86854270900
   - **Webinar ID:** 868 5427 0900

3. **To join by audio or if there are technical computer issues**:
   - Attendees or Panelists via Phone: Dial (253) 215-8782, then enter: 868 5427 0900#

4. **Experiencing Technical Problems?** If you experience technical difficulties on the day of the Zoom Webinar, please contact Pauline Mogilevsky at pmogilevsky@triangleassociates.com or (206) 981-2217.

5. **Other Notes about Zoom Webinar Meeting:** *We encourage you to enter the Zoom Webinar room* ***at least 15 minutes prior to the start of the meeting*** *so we can address any technical issues.* ***To make sure you can connect to the webinar****, please test your system and connections online ASAP at: https://zoom.us/test*

6. Tax Structure Work Group Web Page: https://taxworkgroup.org/

7. TVW Recording: The meeting is being recorded and streamed live on TVW: https://www.tvw.org/schedule-main/ and can be viewed at a later time.

How can you participate?

We have allotted a limited amount of time at the end of the agenda for public comment. If you would like to provide a public comment, please send us your name and organization via the email: info@taxworkgroup.org

Tax Structure Work Group Members	
☐	Representative Noel Frame, Co-Chair
☐	Senator Keith Wagoner, Co-Chair
☐	Senator Joe Nguyen
☐	Senator Lisa Wellman
☐	Senator Phil Fortunato
☐	Representative Ed Orcutt
☐	Pat Sullivan
☐	Representative Jesse Young
☐	Derek Young, Councilmember, Pierce County
☐	Scott Merriman, Legislative Liaison, Office of Financial Management
☐	Dean Carlson, Senior Tax Policy Coordinator, Department of Revenue
☐	Anne McEnerny-Ogle, Mayor, City of Vancouver

No	Agenda Item	Time	Lead	Meeting Instructions
Pre	Optional Technology Practice Session	7:30 – 8 a.m. (30 minutes)	Sophie Glass, Triangle Associates	• TSWG members and presenters are encouraged to sign on as early as 7:30 a.m. to make sure they can join the Zoom Webinar, test audio and video, etc. • TSWG members can drop in to ensure they are comfortable with Mentimeter polling technology.
1	Introductions and Meeting Overview	8:00 – 8:15 a.m. (15 minutes)	Rep. Frame and Sen. Wagoner Facilitator Sophie Glass, Triangle Associates	• Co-Chairs to call the meeting to order. • Facilitator conducts a roll call of work group members. (Please unmute when your name is called to acknowledge you are on the line and then re-mute yourself.) • Overview of technical ground rules. • Overview of meeting agenda. • Any member of the public who wants to provide public comment should email info@taxworkgroup.org your name and organization by 10:15 a.m. The public may also send any questions or comments regarding any of the topics covered during today's meeting to the above email. • Overview of meeting purpose and timeline.

No	Agenda Item	Time	Lead	Meeting Instructions
2	Background on Tax Types to Consider Moving Forward for Policy Recommendation	8:15 – 9:30 a.m. (75 minutes)	Facilitator Sophie Glass and Morgan Shook, ECONorthwest Kathy Oline, DOR	• For each tax type, consultant team provides background information and fiscal estimates for TSWG consideration. • Questions and answers from TSWG members throughout presentation.
3	Break	9:30 – 9:40 a.m. (10 minutes)		
4	Polling on Tax Types to Move Forward for Policy Recommendation	9:40 – 10:25 a.m. (45 minutes)	Morgan Shook, ECONorthwest	• Consultant team provides an overview of questions for TSWG consideration. • TSWG discusses and voting members provide direction/responses to DOR via anonymous Mentimeter polling.
5	Public Comment / Testimony	10:25 – 10:50 a.m. (25 minutes)	Attendees Facilitator Sophie Glass	• Any member of the public who wants to provide public comment should email info@taxworkgroup.org with your name and organization by 10:15 a.m. • Commenters will have up to three minutes to provide comments and may only be extended at the discretion of the Co-Chairs.
8	Wrap Up and Summary of Action Items	10:50 – 11:00 a.m. (10 minutes)	Rep. Frame and Sen. Wagoner Facilitator Sophie Glass	• Co-Chairs provide closing remarks. • Summary of action items and next steps.

Tax Structure Work Group

Expand WFTC by increasing the childless amount to $500 and keeping the $300 additional amount per child up to three children

Current Law

The "Working Families' Tax Credit" (WFTC) is a credit in the form of a refund of sales and use tax provided to eligible low-income individuals. This credit is based in part on the federal Earned Income Tax Credit (EITC).

To be eligible for the credit, individuals must qualify for the ETIC or would otherwise qualify for the EITC except that they used an Individual Tax Identification Number instead of a Social Security Number on their federal income tax return.

The maximum credit amount varies depending on an individual's income and number of qualifying children. The maximum credits are:
- $300 for eligible persons with no qualifying children.
- $600 for eligible persons with one qualifying child.
- $900 for eligible persons with two qualifying children.
- $1,200 for eligible persons with three or more qualifying children.

The minimum payment is $50, regardless of the number of qualifying children.

The credit amounts will be adjusted for inflation every year, beginning January 1, 2024, based on changes in the average consumer price index for the Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the Bureau of Labor Statistics, United States Department of Labor.

For payments based on tax year 2022, the credit amounts are reduced, rounded to the nearest dollar as follows:
- For eligible persons with no qualifying children, beginning at $2,500 of income below the federal phase-out income for the prior year, by 12% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with one qualifying child, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 12% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with two qualifying children, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 18% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with three or more qualifying children, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 24% per additional dollar of income until the minimum credit amount is reached.

The percentage reduction rates will be adjusted annually to align the WFTC maximum qualifying income with the maximum federal adjusted gross income limit for the EITC.

Tax Structure Work Group

Expand WFTC by increasing the childless amount to $500 and keeping the $300 additional amount per child up to three children

Proposal

This proposal increases the maximum credit as follows:
- $500 for eligible persons with no qualifying children.
- $800 for eligible persons with one qualifying child.
- $1,100 for eligible persons with two qualifying children.
- $1,400 for eligible persons with three or more qualifying children.

Effective Date

This proposal takes effect on July 1, 2023.

Revenue Estimate

This proposal results in no impact to taxes administered by the Department of Revenue.

Expenditure Estimate

The table shows the FTE staff years and expenditures for this proposal:

FTE	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
FTE Count	0.17	0	0	0	0	0
Biennial FTE		0.09		0		0
Fund						
GF-State 001	66,025,600	65,008,800	65,008,800	65,008,800	65,008,800	65,008,800
Fiscal Total	66,025,600	65,008,800	65,008,800	65,008,800	65,008,800	65,008,800
Biennial Total		131,034,400		130,017,600		130,017,600

Expenditure Assumptions

The first eligible tax year is Calendar Year 2023, with payments being issued in Fiscal Year 2024.

First Year Costs

The Department will incur total costs of approximately $66,025,600 in Fiscal Year 2024. These costs include:

Labor Costs - Time and effort equate to approximately 0.17 FTEs.
- Adopt one new rule.
- Set-up, program, and test computer system changes.

Tax Structure Work Group

Expand WFTC by increasing the childless amount to $500 and keeping the $300 additional amount per child up to three children

Object Costs - $66,008,800.
- System changes in ATLAS of $8,800.
- Increased cost of credit payouts to eligible participants of $66,000,000.

Ongoing Costs

The Department will have ongoing contract programming costs to adjust the phase out percentages of $8,800 and estimated increased payout amounts of $65,000,000 per fiscal year.

Rules

Should this legislation become law, the Department will use the expedited process to amend WAC 458-20-285, titled: "Working Families' Tax Credit." Persons affected by this rulemaking would include recipients of the WFTC.

Exp Detail

Expenditures by Object or Purpose:

Expense Objects	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Salaries and Wages	10,500	0	0	0	0	0
Benefits	3,500	0	0	0	0	0
Personal Service Contracts ^	8,800	8,800	8,800	8,800	8,800	8,800
Supplies & Material	1,900	0	0	0	0	0
Office Equipment	900	0	0	0	0	0
Grants & Subsidies ^	66,000,000	65,000,000	65,000,000	65,000,000	65,000,000	65,000,000
Fiscal Year Total	66,025,600	65,008,800	65,008,800	65,008,800	65,008,800	65,008,800
Biennial Total		131,034,400		130,017,600		130,017,600

Exp Detail

FTE Detail:

Job Classes	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
EMS BAND 4	0.01	0	0	0	0	0
MGMT ANALYST4	0.01	0	0	0	0	0
MGMT ANALYST5	0.1	0	0	0	0	0
TAX POLICY SP 2	0.01	0	0	0	0	0
TAX POLICY SP 3	0.02	0	0	0	0	0

TAX POLICY SP 4	0.01	0	0	0	0	0
WMS BAND 3	0.01	0	0	0	0	0
Fiscal Year Total	0.17	0	0	0	0	0
Biennial Total		0.09		0		0

Note

Please note that our review, comments and any estimates provided are not intended to reflect a policy position by the Department and are solely to assist you in exploring options under development.

Further Information

KATHY OLINE
Research and Fiscal Analysis Division
(360) 534-1534

Tax Structure Work Group

Expand the WFTC by allowing those 18 years or older to qualify for the credit

Current Law

The "Working Families' Tax Credit" (WFTC) is a credit in the form of a refund of sales and use tax provided to eligible low-income individuals. This credit is based in part on the federal Earned Income Tax Credit (EITC).

To be eligible for the credit, individuals must qualify for the ETIC or would otherwise qualify for the EITC except that they used an Individual Tax Identification Number instead of a Social Security Number on their federal income tax return.

The maximum credit amount varies depending on an individual's income and number of qualifying children. The maximum credits are:
- $300 for eligible persons with no qualifying children.
- $600 for eligible persons with one qualifying child.
- $900 for eligible persons with two qualifying children.
- $1,200 for eligible persons with three or more qualifying children.

The minimum payment is $50, regardless of the number of qualifying children.

The credit amounts will be adjusted for inflation every year, beginning January 1, 2024, based on changes in the average consumer price index for the Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the Bureau of Labor Statistics, United States Department of Labor.

For payments based on tax year 2022, the credit amounts are reduced, rounded to the nearest dollar as follows:
- For eligible persons with no qualifying children, beginning at $2,500 of income below the federal phase-out income for the prior year, by 12% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with one qualifying child, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 12% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with two qualifying children, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 18% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with three or more qualifying children, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 24% per additional dollar of income until the minimum credit amount is reached.

The percentage reduction rates will be adjusted annually to align the WFTC maximum qualifying income with the maximum federal adjusted gross income limit for the EITC.

The eligible age limit is 25-64 years of age for individuals with no qualifying children.

Expand the WFTC by allowing those 18 years or older to qualify for the credit

Proposal

This proposal expands the WFTC age requirement to 18 years of age or over for individuals with no qualifying children.

Effective Date

This proposal takes effect on January 1, 2024.

Revenue Estimate

This legislation has no impact to taxes administered by the Department.

Expenditure Assumptions

The first eligible tax year is Calendar Year 2023, with payments being issued in Fiscal Year 2024.

First Year Costs

The Department may incur total costs between $68,880,000 and $69,520,000 in Fiscal Year 2024. These costs include:

Labor Costs – Time and effort range from 27 to 33 FTEs.
- Amend one administrative rule.
- Provide administrative support.
- Supervisory functions.
- Review and process applications.
- Perform desk examinations and complex reviews.
- Respond to letter ruling requests, email inquiries, and phone calls.
- Report fraud with law enforcement.
- Provide education and training to staff.
- Define business rules and test functionality.
- Computer system testing and monitoring.

Object Costs - Approximately $66,200,000.
- Issue refund warrants.
- Contract computer system programming.
- Printing and Postage.
- Certifications.
- Outreach.
- Increased cost of credit payouts to eligible participants of $66,000,000.

Ongoing Costs

Ongoing costs for the 2025-27 Biennium equal between $135,000,000 to 137,000,000 and include similar activities described in the first-year costs. Time and effort range from 27 to 33 FTEs per year.

The estimated increase in participant counts and refund payout amounts by fiscal year:

Fiscal Year	2024	2025	2026	2027	2028	2029
Participant Count	210,000	210,000	200,000	200,000	190,000	190,000
Refund Payout Amounts	$66,000,000	$65,000,000	$65,000,000	$65,000,000	$65,000,000	$65,000,000

Rules

Should this legislation become law, the Department will use the standard process to amend WAC 458-20-285, titled: "Working families' tax credit." Persons affected by this rulemaking would include recipients of the working families' tax credit.

Note

Please note that our review, comments and any estimates provided are not intended to reflect a policy position by the Department and are solely to assist you in exploring options under development.

Further Information

KATHY OLINE
Research and Fiscal Analysis Division
(360) 534-1534

Tax Structure Work Group

Expand the WFTC by allowing those filing as "married filing separately" to qualify for the credit

Current Law

The "Working Families' Tax Credit" (WFTC) is a credit in the form of a refund of sales and use tax provided to eligible low-income individuals. This credit is based in part on the federal Earned Income Tax Credit (EITC).

To be eligible for the credit, individuals must qualify for the ETIC or would otherwise qualify for the EITC except that they used an Individual Tax Identification Number instead of a Social Security Number on their federal income tax return.

The maximum credit amount varies depending on an individual's income and number of qualifying children. The maximum credits are:
- $300 for eligible persons with no qualifying children.
- $600 for eligible persons with one qualifying child.
- $900 for eligible persons with two qualifying children.
- $1,200 for eligible persons with three or more qualifying children.

The minimum payment is $50, regardless of the number of qualifying children.

The credit amounts will be adjusted for inflation every year, beginning January 1, 2024, based on changes in the average consumer price index for the Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the Bureau of Labor Statistics, United States Department of Labor.

For payments based on tax year 2022, the credit amounts are reduced, rounded to the nearest dollar as follows:
- For eligible persons with no qualifying children, beginning at $2,500 of income below the federal phase-out income for the prior year, by 12% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with one qualifying child, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 12% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with two qualifying children, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 18% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with three or more qualifying children, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 24% per additional dollar of income until the minimum credit amount is reached.

The percentage reduction rates will be adjusted annually to align the WFTC maximum qualifying income with the maximum federal adjusted gross income limit for the EITC.

An individual is eligible for the WFTC when their filing status is "married filing separately" only if the individual:

- Is married but did not file their federal income tax return under the “married filing jointly” status,
- Lived with their qualifying child more than half of the year, and
- Can prove they:
  - Did not have the same principal place of abode as their spouse during the last six months of the tax year; or
  - Have a decree, instrument, or agreement with their spouse concerning marital separation and they or their spouse are not members of the same household by the end of the tax year.

Proposal

This proposal expands eligibility to all individuals who filed their federal income tax return under the “married filing separately” status.

Effective Date

This proposal takes effect on January 1, 2024.

Revenue Estimate

This proposal has no impact to taxes administered by the Department.

Expenditure Estimate

The table shows the FTE staff years and expenditures for this proposal:

FTE	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
FTE Count	2.63	2.5	2.5	2.5	2.5	2.5
Biennial FTE		2.57		2.5		2.5
Fund						
GF-State 001	3,160,900	3,125,400	3,125,400	3,025,400	3,025,400	2,925,400
Fiscal Total	3,160,900	3,125,400	3,125,400	3,025,400	3,025,400	2,925,400
Biennial Total		6,286,300		6,150,800		5,950,800

Expenditure Assumptions

The first eligible tax year is Calendar Year 2023, with payments being issued in Fiscal Year 2024.

First Year Costs

The Department will incur total costs of $3,160,900 in Fiscal Year 2024. These costs include:

Labor Costs - Time and effort equate to approximately 2.63 FTEs.
- Amend one administrative rule.
- Update web pages, videos, publications, and forms.
- Provide administrative support.
- Provide supervisory functions for multiple teams.
- Review and approve reports, data, and returns.
- Perform desk examinations and complex cases.
- Respond to letter ruling requests, email inquiries, and phone calls.
- Report fraud investigations.

Object Costs - Approximately $2,903,200.
- Postage and Printing.
- Increased cost of refund payouts to eligible participants of $2,900,000.

Second Year Costs

The Department will incur total costs of $3,125,400 in Fiscal Year 2024. These costs include:

Labor Costs - Time and effort equate to approximately 2.5 FTEs.
- Continue updating of web pages, videos, publications, and forms.
- Provide administrative support.
- Provide supervisory functions for multiple teams.
- Review and approve reports, data, and returns.
- Perform desk examinations and complex cases.
- Respond to letter ruling requests, email inquiries, and phone calls.
- Report fraud investigations.

Object Costs - Approximately $2,903,200.
- Postage and Printing.
- Increased cost of refund payouts to eligible participants of $2,900,000.

Ongoing Costs

Ongoing costs for the 2025-27 Biennium equal approximately $6,150,800 and include similar activities described in the second-year costs. Time and effort equate to approximately 2.5 FTEs per year.

The estimated increase in participant counts and refund payout amounts by fiscal year:

Fiscal Year	2024	2025	2026	2027	2028	2029
Participant Count	6,000	6,000	6,000	5,000	5,000	5,000
Refund Payout Amounts	$2,900,000	$2,900,000	$2,900,000	$2,800,000	$2,800,000	$2,700,000

Rules Should this legislation become law, the Department will use the standard process to amend WAC 458-20-285, titled: " Working families' tax credit." Persons affected by this rulemaking would include recipients of the working families' tax credit.

Exp Detail Expenditures by Object or Purpose:

Expense Objects	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Salaries and Wages	150,600	141,300	141,300	141,300	141,300	141,300
Benefits	49,600	46,600	46,600	46,600	46,600	46,600
Supplies & Material	42,400	29,800	29,800	29,800	29,800	29,800
Office Equipment	18,300	7,700	7,700	7,700	7,700	7,700
Grants & Subsidies ^	2,900,000	2,900,000	2,900,000	2,800,000	2,800,000	2,700,000
Fiscal Year Total	3,160,900	3,125,400	3,125,400	3,025,400	3,025,400	2,925,400
Biennial Total		6,286,300		6,150,800		5,950,800

Exp Detail FTE Detail:

Job Classes	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
EMS BAND 4	0.01	0	0	0	0	0
EMS BAND 5	0.01	0	0	0	0	0
INVESTIGATOR 2	0.1	0.1	0.1	0.1	0.1	0.1
MGMT ANALYST4	0.01	0	0	0	0	0
PUBLIC BENEFITS SPECIALIST 2	0.4	0.4	0.4	0.4	0.4	0.4
PUBLIC BENEFITS SPECIALIST 3	1	1	1	1	1	1
PUBLIC BENEFITS SPECIALIST 4	0.7	0.7	0.7	0.7	0.7	0.7
PUBLIC BENEFITS SPECIALIST 5	0.2	0.2	0.2	0.2	0.2	0.2
TAX POLICY SP 2	0.01	0	0	0	0	0
TAX POLICY SP 3	0.17	0.1	0.1	0.1	0.1	0.1
TAX POLICY SP 4	0.01	0	0	0	0	0
WMS BAND 3	0.01	0	0	0	0	0

Fiscal Year Total	2.63	2.5	2.5	2.5	2.5	2.5
Biennial Total		2.57		2.5		2.5

Note

Please note that our review, comments and any estimates provided are not intended to reflect a policy position by the Department and are solely to assist you in exploring options under development.

Further Information

KATHY OLINE
Research and Fiscal Analysis Division
(360) 534-1534

Tax Structure Work Group

Replace the Business and Occupation Tax with a Margin Tax

Current Law

Washington levies its primary business tax, the business and occupation (B&O) tax, on gross income from Washington-based business activity.

A business must report B&O tax if the business meets any of the following thresholds in the current or prior calendar year:
- Has more than $100,000 in combined gross receipts sourced or attributed to Washington.
- Has physical presence nexus in Washington.
- Is organized or commercially domiciled in Washington.

Each legal entity must register and report taxes separately for affiliated entities.

For B&O tax purposes, businesses engaging in apportionable activities may apportion their income to determine the amount subject to B&O tax. The formula for apportionment is Washington gross apportionable receipts divided by worldwide gross apportionable receipts for the taxing period.

The B&O tax includes a flat rate structure with different rates by activity. There are several surcharges on certain industries and activities, including the Workforce Education Surcharge. The B&O tax also includes approximately 200 tax preferences in the form of credits, deductions, exclusions, exemptions, and preferential rates.

While most businesses with activity in Washington are subject to the B&O tax, some businesses are instead subject to the public utility tax. The public utility tax is a tax on public service businesses, including businesses that engage in transportation and the supply of energy, natural gas, and water. This tax is in lieu of the B&O tax, meaning that businesses would pay one or the other but not both taxes on the same activity.

Proposal

This proposal replaces Washington's B&O tax with a margin tax modeled after Texas's franchise tax. A margin tax is often considered a modified gross receipts tax.

Under this margin tax proposal, businesses are taxed on their margin, which is calculated as gross income minus the greater of four deductions:
- Cost of goods sold,
- Compensation paid,
- A fixed percentage of gross receipts (e.g., 30%), or
- A flat amount (e.g., $1 million).

Unlike Texas's franchise tax, for this margin tax proposal the compensation and cost of goods sold deductions are based on federal reporting.

After the deduction amount is subtracted, a single-factor sales apportionment method is used to determine the amount of the business's worldwide margin that is attributable to Washington. For combined groups, each member of the group is included for purposes of attributing Washington income, if any member of the combined group has nexus in Washington. This is referred to as the Finnigan apportionment method. The amount attributable to Washington is multiplied by a flat revenue neutral rate to determine the tax due.

Under this proposal, the margin tax is imposed on the same entities that are subject to B&O tax, including corporations, partnerships, limited liability companies, sole proprietorships, and nonprofits. Activities subject to public utility tax under current law remain subject to public utility tax and are excluded from the margin tax. This proposal maintains Washington's surcharges which are imposed on certain industries and activities. It also maintains Washington's current registration and nexus thresholds.

Washington's definition of gross income is unchanged. Most of Texas's exclusions from total revenue are not qualified exclusions from gross income under this proposal, with the exception of bad debts and cash and trade discounts.

This margin tax proposal also:
- Changes the filing frequency for all entities to an annual return due April 15th.
- Requires quarterly estimated payments.
- Requires combined reporting for corporations required to file consolidated federal returns.
- Eliminates all preferential rates.
- Eliminates all deductions, exclusions, and exemptions except those that are necessary for legal compliance or practical administration.
- Allows businesses to carryover earned but unused B&O tax credits to be credited from margin tax due for a limited amount of time.
- Compensates retailers by creating a retail sales tax credit.

Effective Date

The B&O tax is eliminated starting January 1, 2025, and the margin tax begins for gross income earned in 2025. The first quarterly estimated payments are due April 2025 with the annual tax return for 2025 due April 15, 2026.

Revenue Estimates

The first table shows the net revenue impact if we assume a margin tax rate of 2.8887% with revenue neutrality for the 2025-27 Biennium.

The second table shows the net revenue impact if we assume a margin tax rate of 2.8334% with revenue neutrality for the 2027-29 Biennium.

Shifting the revenue neutral biennium out allows for a lower overall rate, as we are assuming higher reporting compliance over time. Under either rate scenario, we would expect to see revenue impacts similar to what is shown for Fiscal Year 2029 in the out years.

Fund - Source	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF-State – Margin Tax	0	1,518,100,000	6,224,300,000	6,763,500,000	7,093,500,000	7,422,700,000
GF-State - Business and Occupation Tax	0	(2,522,700,000)	(6,353,500,000)	(6,634,100,000)	(6,957,700,000)	(7,280,700,000)
Fiscal Year Total	0	(1,004,600,000)	(129,200,000)	129,400,000	135,800,000	142,000,000
Biennial Total		(1,004,600,000)		200,000		277,800,000

Fund - Source	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF-State – Margin Tax	0	1,489,000,000	6,105,100,000	6,634,000,000	6,957,700,000	7,280,600,000
GF-State - Business and Occupation Tax	0	(2,522,700,000)	(6,353,500,000)	(6,634,100,000)	(6,957,700,000)	(7,280,700,000)
Fiscal Year Total	0	(1,033,700,000)	(248,400,000)	(100,000)	0	(100,000)
Biennial Total		(1,033,700,000)		(248,500,000)		(100,000)

Revenue Assumptions

- Taxpayer affiliated groups that file a consolidated federal income tax return will file a combined margin tax return.
- Nexus applies to a combined group if one or more companies within the group have substantial nexus in Washington (RCW 82.04.067).
- Taxpayers (or taxpayer groups) first determine their total worldwide income before deductions.
- Businesses then choose the largest available deduction from:
  - Cost of goods sold,
  - Compensation paid,
  - 30% of gross income, or
  - $1 million.
- Compensation is capped at $400,000 per individual.
- After subtracting the chosen deduction from total worldwide income, the business apportions the portion of worldwide margin attributable to Washington.

- The percentage of a business's worldwide taxable margin apportioned to Washington under the margin tax equals the percentage of the business's worldwide taxable gross receipts apportioned to Washington under the B&O tax.
- This estimate assumes that manufacturing and extracting activities will generate the same revenue under a margin tax as we receive currently under the B&O tax.
- Taxpayers with a negative margin in a given fiscal year have no tax liability for that fiscal year. These taxpayers are not able to accrue a deduction or credit against the tax for future years.
- The growth of income and deduction line items follows the growth of before-tax corporate profit forecasts from the Bureau of Labor Statistics (BLS) with an adjustment to account for the higher forecast of Washington employment vs. U.S. employment.
- Because of this significant change in Washington's business tax, a compliance factor of 90% is applied to the first year of collections and 95% for each subsequent year.

NOTE: The following are not included in the modeling for this estimate, as the specific details have not yet been determined:
- A carryover provision for earned but unused B&O tax credits that will be allowed as a credit against the margin tax due for a limited amount of time.
- Retailer compensation through a retail sales tax credit.

Data Sources

- Economic and Revenue Forecast Council: September 2022 forecast
- Internal Revenue Service (IRS): Form 1120, Form 1120S, and Form 1065 returns
- IRS: W2 wage data
- Washington State Department of Revenue: Excise tax data
- Bureau of Economic Analysis (BEA): Before-tax corporate profits with IVA and capital consumption
- Economic Revenue forecast Council: nonfarm payroll employment, Washington

Local Government Impact

None

Expenditure Assumptions

- Expenditures assume first quarterly estimated payments can be received April 2025.
- FTE counts brought on by the Department to administer the margin tax will phase out as FTEs associated with the B&O tax convert labor efforts to the margin tax. This phase out may occur earlier for some divisions and job classes than others.
- After implementation of the margin tax and cessation of labor efforts for the B&O tax, the ongoing FTE count required for the Department to administer the margin tax may be slightly more than what the Department required to administer the B&O tax.

Expenditure Estimates	The estimate of the Department's implementation and administration costs are in process.
Note	Please note that our review, comments and any estimates provided are not intended to reflect a policy position by the Department and are solely to assist you in exploring options under development.
Further Information	KATHY OLINE Research and Fiscal Analysis Division (360) 534-1534

Tax Structure Work Group

Wealth Tax @ 1% with $100/$250/$500 million exemption

Current Law

There is no similar tax in Washington state. Washington has an estate tax, which applies to tangible and intangible wealth at death. Washington also has a property tax, but intangible property is exempt from that tax.

Proposal

This proposal would impose a wealth tax on each Washington resident. The wealth tax equals 1% multiplied by a Washington resident's taxable worldwide wealth over a set exemption amount - $100 million, $250 million, or $500 million. Taxable worldwide wealth means the fair market value of all of a person's financial intangible assets as of December 31 of the tax year.

Financial intangible assets mean the following intangible assets:
- Cash and cash equivalents;
- Financial investments such as: annuities, bonds, treasury bills, mutual funds or index funds, stocks, publicly traded options, futures contracts, commodities contracts, put and call options, pension funds, mortgages and liabilities secured by real property, certificates of interest in gold and other precious metals or gems, and other similar investments;
- Units of ownership in a subchapter K entity; and
- Similar intangible assets.

Exemptions from the tax include:
- Nonfinancial intangible assets;
- Obligations of the United States and United States government agencies and corporations exempt from state taxation;
- Obligations of the state of Washington, its political subdivisions, agencies, and instrumentalities, including municipal bonds;
- Stock of the Federal Reserve Bank, the Government National Mortgage Association, the Federal National Mortgage Association, and other corporations and associations established by acts of the Congress of the United States; and
- Any property subject to Washington State property taxes.

Effective Date

This proposal takes effect on January 1, 2024, with the first payments due in 2025.

Revenue Estimate

The table below shows the revenue estimated at each exemption level and assumes all revenues are deposited into the state general fund:

Exemption Level	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
$100 million	0	0	4,319,000,000	4,259,000,000	4,067,000,000	4,106,000,000
$250 million	0	0	3,296,000,000	3,244,000,000	3,096,000,000	3,127,000,000
$500 million	0	0	2,615,000,000	2,572,000,000	2,455,000,000	2,480,000,000

Revenue Assumptions

- First tax payments are due on October 15, 2025, for wealth as of December 31, 2024.
- This proposal will affect between 300 to 2,000 taxpayers depending upon the exemption amount. The number of taxpayers may vary from year to year.
- The analysis evaluates wealth at the tax-unit level and assumes all spouses and domestic partners file a joint return.
- No taxpayers subject to the wealth tax die during the tax year and no new taxpayers become subject to the tax.
- No taxpayers sell or dispose of their financial intangible assets.
- Wealth tax paid for a calendar year is subtracted from taxpayers' taxable wealth in the subsequent year.
- The distribution of wealth among taxpayers subject to the wealth tax is heavily skewed toward the top.
- There is litigation risk that the courts would invalidate the wealth tax on the grounds that it is a property tax that conflicts with the uniformity provisions of Article VII, Section 1 of the Washington Constitution. However, this estimate assumes that collection of the tax would not be delayed during the course of any legal challenges and that the tax would ultimately survive any legal challenges.
- Growth rates rely on September 2022 projections provided by the Economic and Revenue Forecast Council (ERFC).
- The estimate assumes increasing and variable behavioral responses by taxpayers over time in a manner that reduces their tax liability. Adjustments have been made to the potential revenues to reflect behavioral responses, including tax planning and taxpayer mobility, tax enforcement, and taxpayer reporting compliance. The result is assumed revenue collections of:
  - 52% in Fiscal Year 2026,
  - 53% in Fiscal Year 2027,
  - 50% in Fiscal Year 2028, and
  - 48% in Fiscal Year 2029 and thereafter.
- All revenues generated from the wealth tax are deposited into the general fund.
- This legislation is effective 90 days after the end of the session in which it passes.
- The Department will require 18 months to implement this legislation.

Data Sources

- Internal Revenue Service, personal income tax returns data, Federal Tax Year 2019
- Economic & Revenue Forecast Council, September 2022 forecasts
- Saez, E., & Zucman, G. (2019). Progressive Wealth Taxation. Brookings Papers on Economic Activity 2019(2), 437-533. doi:10.1353/eca.2019.0017
- Smith, M., Zidar, O. M., & Zwick, E. (2021). Top Wealth in America: New Estimates and Implications for Taxing the Rich. National Bureau of Economic Research, https://www.nber.org/papers/w29374
- Advani, A., & Tarrant, H. (2021). Behavioural Responses to a Wealth Tax. Fiscal Studies. DOI:10.1111/1475-5890.12283

First Year Costs	The Department will incur total costs between $7,000,000 and $7,200,000 in Fiscal Year 2024. These costs include: Labor Costs - Time and effort equate to between 15 and 16 FTEs. - Assist in rulemaking process and evaluate review requests. - Provide administrative support. - Computer system testing, monitoring, and maintenance. - Review reports, scrutinize data, examine accounts, and make corrections as necessary. - Answer additional phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants. - Create a special notice and identify publications and information that needs to be created or updated on the Department's website. - Respond to letter ruling requests, email inquiries, and phone calls. - Update web pages, publications, and forms for the reporting change. Object Costs - around $5,100,000. - Outside consulting. - Contract computer system programming. - Office equipment. - Federal background checks.
Second Year Costs	The Department will incur total costs between $7,200,000 and $7,900,000 in Fiscal Year 2025. These costs include: Labor Costs - Time and effort equate to between 16 and 22 FTEs. - Assist in rule making process and evaluate review requests. - Provide administrative support. - Computer system testing, monitoring, and maintenance. - Review reports, scrutinize data, examine accounts, and make corrections as necessary. - Answer additional phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants. - Create a special notice and identify publications and information that needs to be created or updated on the Department's website. - Respond to letter ruling requests, email inquiries, and phone calls. - Update web pages, publications, and forms for the reporting change. Object Costs - around $5,300,000. - Outside consulting. - Contract computer system programming. - Office equipment.

Ongoing Costs

THIRD YEAR COSTS:
The Department will incur total costs between $1,100,000 and $1,900,000 in Fiscal Year 2026. These costs include:

Labor Costs - Time and effort equate to between 7 and 13 FTEs.
- Assist in rule making process and evaluate review requests.
- Provide administrative support.
- Review reports, scrutinize data, examine accounts, and make corrections as necessary.
- Process tax return work items; assist taxpayers with reporting questions; and respond to inquiries via email, web message, and paper correspondence.
- Answer additional phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants.
- Respond to letter ruling requests, email inquiries, and phone calls.
- Perform field audits.

Object Costs - between $300,000 and $500,000.
- Outside consulting.
- Continue systems maintenance.
- Attorney General Office.

FOURTH YEAR COSTS:
The Department will incur total costs between $1,300,000 and $2,100,000 in Fiscal Year 2027. These costs include:

Labor Costs - Time and effort equate to between 8 and 15 FTEs.
- Assist in rule making process and evaluate review requests.
- Provide administrative support.
- Computer system testing, monitoring, and maintenance.
- Review reports, scrutinize data, examine accounts, and make corrections as necessary.
- Process tax return work items; assist taxpayers with reporting questions; and respond to inquiries via email, web message, and paper correspondence.
- Answer additional phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants.
- Respond to letter ruling requests, email inquiries, and phone calls.
- Perform field audits.

Object Costs - between $400,000 and $500,000.
- Outside consulting.
- Continue systems maintenance.
- Attorney General Office.

Ongoing costs for the 2027-29 Biennium equal between $2,500,000 and $4,000,000 and include similar activities described in the fourth-year costs. Time and effort equate to between 7 and 14 FTEs per year.

Rules	Should this legislation become law, the Department will use the standard process to adopt WAC 458-20-Rule, titled: "Wealth tax on individuals" and 458-20-Rule, titled: "Wealth tax on individuals-Administration." Persons affected by this rulemaking would include individuals meeting the threshold for reporting and/or paying the new wealth tax.
Note	Please note that our review, comments, and any estimates provided are not intended to reflect a policy position by the Department and are solely to assist you in exploring options under development.
Further Information	KATHY OLINE Research and Fiscal Analysis Division (360) 534-1534

Current Law

Under current law, Washington does not have a Primary Residence Property Tax Exemption (PRPTE), or traditional homestead exemption, administered in conjunction with the existing property tax system nor a corresponding property tax refund for renters (renter credit) for the portion of rent attributed to property taxes.

Proposal

This proposal creates a Department of Revenue (Department) administered PRPTE and renter's credit. Both refunds equal property taxes paid to the state school levies, up to the first $250,000 of assessed value, beginning with property taxes levied for collection in 2027.

The PRIMARY RESIDENCE PROPERTY TAX EXEMPTION (PRPTE):
- Is only for property taxes paid on a residential property occupied by the owner as the principal place of residence, occupied for at least 183 days in a calendar year.
- Is a refund equivalent to the state school levies only and does not apply to locally levied property taxes.
- Cannot exceed the tax assessed on the taxable value of a parcel.
- Must be equalized by the prior year's combined indicated ratio for the county where the parcel is located.
- Is limited to one residential property tax parcel statewide per claimant.
- Applies to parcels with two or less dwelling units that include:
    - Residential units in a multiunit residential dwelling where each unit is owned and taxed separately.
    - Manufactured homes and floating homes.
    - Housing cooperatives and manufactured home park cooperatives.
    - Life estates under certain criteria.
- Is in addition to the senior citizens and people with disabilities property tax exemptions.
- May only be refunded when taxes are paid in full for the year a claim is filed.

The proposal provides a framework for claimants to file an application for a PRPTE that:
- Requires claimants to annually file an application with the Department by December 31 for the year claimed.
- Requires the claimant to attest to only claiming the refund on one residence per year.
- Provides for claimants to file late applications for up to 12 months after the deadline.
- Provides an appeal process for claimants denied a refund.
- Provides a mechanism for the Department to impose penalties if a claimant fraudulently receives a refund.

The proposal requires the Department to:
- Develop and maintain a centralized computer system to facilitate the transfer of the necessary data and information electronically from county assessors and treasurers to the Department, subject to appropriated funds.
- Annually adjust the amount of the PRPTE by the percentage change in the state levy.
- Require the information necessary to verify and validate the claimant's principal place of residence.
- Adopt administrative rules.

The proposal requires an amendment to the state Constitution and voter approval of the amendment in November 2023. The proposal can then take effect January 1, 2024, with refunds beginning with property taxes levied for collection in calendar year 2027.

The new tax preference performance provisions do not apply to this proposal.

RENTER'S CREDIT:
This proposal also creates a Department administered renter's credit in the form of a refund, subject to funds appropriated for this specific purpose, beginning in 2027 for rent paid by a claimant in 2026. The refund amount is based on a percentage of the rent paid that approximates the amount of state property taxes due up to the first $250,000 of assessed value.

The renter's credit:
- Defines "rent constituting property taxes" as 2% of the gross rent paid.
- Defines "gross rent" as the amount of rent paid by a claimant in cash or its equivalent for the right of occupancy of a residence, that includes:
  - A single-family dwelling unit.
  - A unit in a multiunit residential dwelling where each unit rents separately.
  - Accessory dwelling units.
  - A manufactured home or floating home.
  - Manufactured home park lots.
- Is limited to one credit per claimant, including an individual or individuals who reside in the same household, statewide and may not be combined with a PRPTE, except for a single-family dwelling unit located on leased land for which the combined renter's credit for the land and the owner's PRPTE credit may not exceed the maximum PRPTE allowed.
- Requires the claimant to be a Washington resident for at least 183 days in a calendar year.
- Cannot exceed the amount otherwise provided in the PRPTE.
- Requires any refund for gross rent paid by a claimant must be on property subject to property tax for the year claimed.

The proposal provides for claimants to file an application for a renter's credit that:

- Requires claimants to annually file an application with the Department by December 31.
- Requires a claimant to provide:
  - Attestation of gross rent paid for the prior year.
  - Proof of rent for the year prior, as evidenced by a lease agreement signed by both the landlord and tenant.
  - Other documentation as required by the Department.
- Provides for claimants to file late applications for up to 12 months after the deadline.
- Provides an appeal process for claimants denied a refund.
- Provides a mechanism for the Department to impose penalties if a claimant fraudulently receives a refund.

The proposal requires the Department to:
- Develop and maintain a centralized computer system for the filing and processing of applications and issuing refund payments, subject to appropriated funds.
- Annually adjust the maximum renter's credit to be equivalent to the maximum PRPTE credit.
- Require information necessary to verify and validate the claimant's gross rent.
- Adopt administrative rules.

The proposal requires an amendment to the state Constitution and the voter approval of the amendment in November 2023. The proposal can then take effect January 1, 2024, with refunds beginning in 2027, for rent paid in calendar year 2026.

The new tax preference performance provisions do not apply to this proposal.

Effective Date

This bill takes effect beginning January 1, 2024, with the first applications received after January 1, 2027.

Revenue Estimate

The table below shows the fund(s) impacted and the source of the revenues for the PRIMARY RESIDENCE PROPERTY TAX EXEMPTION proposal:

Fund - Source	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF-State - NEW	0	0	0	0	(665,000,000)	(728,000,000)
Fiscal Year Total	0	0	0	0	(665,000,000)	(728,000,000)
Biennial Total		0		0		(1,393,000,000)

Revenue Assumptions	- The PRPTE applies to both part one and part two of the state levy. - The PRPTE does not apply to local levies. - The Department estimates 75% of potential claimants will participate in the PRPTE and renter's credit programs the first year, 80% in year two, 85% in year three, and 90% in year four and thereafter. - For purposes of this estimate, the Department assumes the majority of the applications will be received within the first six months of the year. - The PRPTE amount is adjusted by each county's combined indicated ratio for the prior year to provide a uniform exemption statewide. - Voters approve the constitutional amendment in November 2023. - Needed infrastructure and personnel are in place to administer this proposal by January 2027. - The 2027 maximum PRPTE or renter's credit refund is approximately $475. - The Department issues refunds after July 1, 2027.
Data Sources	- Department of Revenue, State Property Tax Levy Model - Economic and Revenue Forecast Council, September 2022 forecast - Department of Revenue, State Levy Calculations for Property Taxes Due for 2022 - County assessor data - Census Bureau, American Community Survey 2016-2020 5-year dataset
Local Government Impact	None.
Expenditure Assumptions	- The Department will administer the PRPTE and the renter's credit. The exemption will be handled as a reduction to revenues; however, the renter's credit will be treated as an expenditure and will require an appropriation to fund the credit. - This proposal affects approximately 3,000,000 taxpayers. - Expenditures assume 2,000,000 taxpayers for the primary residence property tax exemption and 1,000,000 for the equivalent renter’s credit. - Expenditures assume the Department will start accepting applications beginning January 2027, for property taxes paid in 2027 and for rent paid in 2026. - The Department will start sending refunds beginning July 2027. This assumes the procurement process for a new system and implementation of that new system will take less than three (3) years.

Expenditure Estimates	The estimate of the Department's implementation and administration costs are in process. Appropriation amounts for the renter's credit to approved claimants: FY 2028 - $ 228,000,000 FY 2029 - $ 259,000,000
Rules	To be determined
Note	Please note that our review, comments and any estimates provided are not intended to reflect a policy position by the Department and are solely to assist you in exploring options under development.
Further Information	KATHY L. OLINE Research and Fiscal Analysis Division (360) 534-1534

Current Law

Current law limits property tax levy increases with growth limits often referred to as the "101% levy limit" or the "1% growth limit" and allows an increase in levy capacity for the following add-ons:

- New construction.
- Construction of wind turbine, solar, biomass, and geothermal facilities.
- Improvements to property.
- Increased value of state-assessed property.
- Increases in real property value within a local tax increment finance area designated by a local government.

Current law defines:

- Inflation as the percentage change in the implicit price deflator (IPD) for personal consumption expenditures for the United States as published for the most recent 12-month period by the Bureau of Economic Analysis of the Federal Department of Commerce by September 25th of the year before the taxes are payable;
- The limit factor:
  - For taxing districts with a population of less than 10,000 as 101%.
  - For all other districts as the lesser of 101% or 101% plus inflation. If the IPD is less than 1% then taxing districts who adopt a substantial need resolution can have a limit factor up to 101%.

Proposal

This proposal amends the 101% levy limit for all regular state and local property taxes. The proposal:

- Revises the definition of "inflation" to mean the annual percentage increase in the consumer price index for all urban consumers (CPI-U) in the western region for all items as provided for the most recent 12-month period by the Bureau of Labor Statistics of the United Stated Department of Labor by July 25 of the year before the year the taxes are payable.
- Revises the definition of "limit factor" to mean 100% plus population change and inflation, but not to exceed 103%.
- Defines "population change" to mean the annual percent increase in the population of a taxing district as provided in the official population estimates published by the Office of Financial Management for April 1 of the year before the taxes are payable. It also provides the following:
  - If taxing district's population decreases, the population change in zero.
  - Allows for population change for districts in more than one county or city.
  - Excludes changes in population resulting from an annexation by a city.
  - Repeals existing substantial need resolution requirements.
  - Requires local taxing districts to include the district population change as part of the district's annual budget resolution to their county legislative authority, or the county assessor if required.
  - Requires county assessors to calculate the levy limit calculations, except for the state school levies and intercounty rural library levies.

Effective Date

This proposal takes effect beginning with property taxes due for Calendar Year 2024.

Revenue Estimate

The table below shows the fund(s) impacted and the source of the revenues from this proposal:

Fund - Source	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF-State - Property Tax	48,000,000	143,300,000	245,300,000	354,400,000	471,000,000	595,600,000
Fiscal Year Total	48,000,000	143,300,000	245,300,000	354,400,000	471,000,000	595,600,000
Biennial Total		191,300,000		599,700,000		1,066,600,000

Revenue Assumptions

- Taxing districts taking less than the current 1% limit will not utilize the increased limit factor.
- No prorationing occurs under the $5.90 aggregate limit due to the increase in the limit factor.
- No prorationing occurs under the $10 constitutional aggregate limit due to the increase in the limit factor.
- The calculation of population growth will not include growth due to annexation.
- Based on five years of state property tax collections, 52.36 percent of state property tax collections occur in April and 47.64 percent occur in October. When converting from calendar year to fiscal year, this estimate assumes revenue gains and losses follow this trend.
- The Economic and Revenue Forecast Council predicts the state property tax levy remains below the $3.60 limit throughout the 2025-27 Biennium.

PROPERTY TAX SHIFTS:
This legislation results in no state or local property tax levy shifts.

Data Sources

- Economic and Revenue Forecast Council, September 2022 forecast
- Office of Financial Management, April 1, 2022, Population Estimates
- Office of Financial Management, State Population Forecast
- Department of Revenue, State Property Tax Model
- Department of Revenue, State Levy Calculations for Property Taxes Due in 2022
- County assessor data

Local Government Impact

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

FY 2024 - $ 60,400
FY 2025 - $ 178,100
FY 2026 - $ 302,400
FY 2027 - $ 435,300
FY 2028 - $ 577,300
FY 2029 - $ 728,600

Calendar Year Detail

DETAIL OF REVENUE IMPACT FOR PROPERTY TAX BILLS

State Government, Impact on Revenues ($000)

CY 2024 - $ 91,800
CY 2025 - $ 190,100
CY 2026 - $ 295,400
CY 2027 - $ 408,000
CY 2028 - $ 528,300
CY 2029 - $ 656,700

State Government, ($000), Shift of Tax Burden: None.

Local Government, Impact on Revenues ($000)

CY 2024 - $ 115,300
CY 2025 - $ 235,200
CY 2026 - $ 363,600
CY 2027 - $ 500,600
CY 2028 - $ 647,000
CY 2029 - $ 802,900

Local Government, ($000), Shift of Tax Burden: None.

Expenditure Estimate

The table shows the FTE staff years and expenditures for this proposal:

FTE	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
FTE Count	0.63	1	1	1	1	1
Biennial FTE		0.82		1		1
Fund						
GF-State 001	76,800	118,600	114,400	114,400	114,400	114,400
Fiscal Total	76,800	118,600	114,400	114,400	114,400	114,400
Biennial Total		195,400		228,800		228,800

First Year Costs

The Department will incur total costs of $76,800 in Fiscal Year 2024. These costs include:

Labor Costs - Time and effort equate to 0.6 FTEs.
- Assist in rule making process.
- Provide technical advice, guidance, training, and assist in auditing all regular levy limit factors used by county assessors to calculate levies.

Second Year Costs

The Department will incur total costs of $118,600 in Fiscal Year 2025. These costs include:

Labor Costs - Time and effort equate to 1 FTEs.
- Provide technical advice, guidance, training, and assist in auditing all regular levy limit factors used by county assessors to calculate levies.

Ongoing Costs

Ongoing costs for the 2025-27 and 2027-29 Biennium each equal $228,800 and include similar activities described in the second-year costs. Time and effort equate to 1 FTE per year.

Rules

Should this legislation become law, the Department will use the expedited process to amend WAC 458-19-005, titled: "Definitions," WAC 458-19-020, titled: "Levy limit - Method of Calculation," WAC 458-19-030, titled: "Levy limit - Consolidation of districts," and WAC 458-19-035, titled: "Levy limit - Annexation."

Persons affected by this rulemaking would include property owners and county assessors.

Exp Detail

Expenditures by Object or Purpose:

Expense Objects	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Salaries and Wages	46,200	73,300	73,300	73,300	73,300	73,300
Benefits	15,300	24,200	24,200	24,200	24,200	24,200
Supplies & Material	9,500	13,000	10,800	10,800	10,800	10,800
Travel	1,500	3,000	3,000	3,000	3,000	3,000
Office Equipment	4,300	5,100	3,100	3,100	3,100	3,100
Fiscal Year Total	76,800	118,600	114,400	114,400	114,400	114,400
Biennial Total		195,400		228,800		228,800

Exp Detail FTE Detail:

Job Classes	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
EMS BAND 4	0.01	0	0	0	0	0
MGMT ANALYST4	0.02	0	0	0	0	0
PROPERTY AND ACQUISITION SP 5	0.5	1	1	1	1	1
TAX POLICY SP 2	0.01	0	0	0	0	0
TAX POLICY SP 3	0.06	0	0	0	0	0
TAX POLICY SP 4	0.02	0	0	0	0	0
WMS BAND 3	0.01	0	0	0	0	0
Fiscal Year Total	0.63	1	1	1	1	1
Biennial Total		0.82		1		1

Note Please note that our review, comments, and any estimates provided are not intended to reflect a policy position by the Department and are solely to assist you in exploring options under development.

Further Information

KATHY OLINE
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(360) 534-1534