

Multiple Agency Fiscal Note Summary

| | |
|-----------------------------|-----------------------------|
| Bill Number: 5961 SB | Title: Tax Structure |
|-----------------------------|-----------------------------|

Estimated Cash Receipts

| Agency Name | 2019-21 | | 2021-23 | | 2023-25 | |
|-----------------------|-------------|-------------|---------------|---------------|---------------|---------------|
| | GF- State | Total | GF- State | Total | GF- State | Total |
| Department of Revenue | 775,200,000 | 775,200,000 | 1,893,000,000 | 1,893,000,000 | 1,986,500,000 | 1,986,500,000 |
| Total \$ | 775,200,000 | 775,200,000 | 1,893,000,000 | 1,893,000,000 | 1,986,500,000 | 1,986,500,000 |

| | | | | | | |
|---------------------|--|--|--|--|--|--|
| Local Gov. Courts | | | | | | |
| Loc School dist-SPI | | | | | | |
| Local Gov. Other | | | | | | |
| Local Gov. Total | | | | | | |

Estimated Operating Expenditures

| Agency Name | 2019-21 | | | 2021-23 | | | 2023-25 | | |
|-------------------------------------|--|------------|------------|---------|-------------|-------------|---------|-------------|-------------|
| | FTEs | GF-State | Total | FTEs | GF-State | Total | FTEs | GF-State | Total |
| Administrative Office of the Courts | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Department of Revenue | 33.5 | 12,717,400 | 12,717,400 | 103.9 | 243,048,200 | 243,048,200 | 103.6 | 261,043,400 | 261,043,400 |
| Employment Security Department | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| Total \$ | 33.5 | 12,717,400 | 12,717,400 | 103.9 | 243,048,200 | 243,048,200 | 103.6 | 261,043,400 | 261,043,400 |

| | | | | | | | | | |
|---------------------|--|--|--|--|--|--|--|--|--|
| Local Gov. Courts | Non-zero but indeterminate cost and/or savings. Please see discussion. | | | | | | | | |
| Loc School dist-SPI | | | | | | | | | |
| Local Gov. Other | | | | | | | | | |
| Local Gov. Total | | | | | | | | | |

Estimated Capital Budget Expenditures

| Agency Name | 2019-21 | | | 2021-23 | | | 2023-25 | | |
|-------------------------------------|---------|-------|-------|---------|-------|-------|---------|-------|-------|
| | FTEs | Bonds | Total | FTEs | Bonds | Total | FTEs | Bonds | Total |
| Administrative Office of the Courts | .0 | 0 | 0 | .0 | 0 | 0 | .0 | 0 | 0 |
| 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: Kathy Cody, OFM | Phone: (360) 902-9822 | Date Published: Final 3/ 8/2019 |
|-------------------------------------|---------------------------------|---|

Judicial Impact Fiscal Note

| | | |
|-----------------------------|-----------------------------|--|
| Bill Number: 5961 SB | Title: Tax Structure | Agency: 055-Administrative Office of the Courts |
|-----------------------------|-----------------------------|--|

Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

| Account | FY 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|-----------------|---------|---------|---------|---------|---------|
| Counties | | | | | |
| Cities | | | | | |
| Total \$ | | | | | |

Estimated Expenditures from:

Non-zero but indeterminate cost. Please see discussion.

The revenue and expenditure estimates on this page represent the most likely fiscal impact. Responsibility for expenditures may be subject to the provisions of RCW 43.135.060.

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.

| | | |
|---------------------------------------|-----------------------|------------------|
| Legislative Contact: Jeffrey Mitchell | Phone: 360-786-7438 | Date: 02/18/2019 |
| Agency Preparation: Sam Knutson | Phone: 360-704-5528 | Date: 02/25/2019 |
| Agency Approval: Ramsey Radwan | Phone: 360-357-2406 | Date: 02/25/2019 |
| OFM Review: Ramona Nabors | Phone: (360) 902-0547 | Date: 02/25/2019 |

Request # 5961 SB-1

Part II: Narrative Explanation

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

Please see attached Judicial Impact Note (JIN).

II. B - Cash Receipts Impact

II. C - Expenditures

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part II: Narrative Explanation

This bill would create a tax that would be imposed on all individuals for the privilege of selling or exchanging long-term capital assets or receiving Washington capital gains.

Part II.A – Brief Description of what the Measure does that has fiscal impact on the Courts

Section 111(1) – Would provide that any taxpayer who knowingly attempts to evade payment of the tax imposed under this chapter would be guilty of a Class C felony.

Section 111(2) – Would provide that any taxpayer who knowingly fails to pay tax, make returns, keep records, or supply information as required would be guilty of a gross misdemeanor.

II.B - Cash Receipt Impact

None.

II.C – Expenditures

Indeterminate. There is no data available to estimate the number of cases that would result from this bill.

The law tables would need to be updated. Judicial education would be required. These impacts would be managed within existing resources.

Department of Revenue Fiscal Note

| | | |
|-----------------------------|-----------------------------|--|
| Bill Number: 5961 SB | Title: Tax Structure | 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 00 - 00 - | | 803,600,000 | 803,600,000 | 1,961,600,000 | 2,058,600,000 |
| GF-STATE-State 01 - Taxes 05 - Bus and Occup Tax | | (28,400,000) | (28,400,000) | (68,600,000) | (72,100,000) |
| Total \$ | | 775,200,000 | 775,200,000 | 1,893,000,000 | 1,986,500,000 |

Estimated Expenditures from:

| Account | FY 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|----------------------|-----------|-----------|------------|-------------|-------------|
| FTE Staff Years | 31.3 | 35.8 | 33.5 | 103.9 | 103.6 |
| GF-STATE-State 001-1 | 5,491,400 | 7,226,000 | 12,717,400 | 243,048,200 | 261,043,400 |
| Total \$ | 5,491,400 | 7,226,000 | 12,717,400 | 243,048,200 | 261,043,400 |

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.

| | | |
|---------------------------------------|-----------------------|------------------|
| Legislative Contact: Jeffrey Mitchell | Phone: 360-786-7438 | Date: 02/18/2019 |
| Agency Preparation: Sara del Moral | Phone: 360-534-1525 | Date: 03/08/2019 |
| Agency Approval: Don Gutmann | Phone: 360-534-1510 | Date: 03/08/2019 |
| OFM Review: Kathy Cody | Phone: (360) 902-9822 | Date: 03/08/2019 |

Request # 5961-2-2

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 a revision to the expenditures, and supersedes fiscal note number 5961-1.

CURRENT LAW:

PART I - CAPITAL GAINS TAX

There is no capital gains tax under current law.

PROPOSAL:

Beginning January 1, 2020, a tax is imposed on all individuals for the privilege of selling or exchanging long-term capital assets, or of receiving Washington capital gains. The tax equals 7.9 percent multiplied by the individual's Washington capital gains.

Deductions allowed in determining the tax are:

- \$25,000; or
- \$50,000 for individuals filing joint returns.

The capital gains tax does not apply to gains from the sale or exchange of the following:

- Any residential dwelling with three or fewer units.
- Retirement accounts.
- Assets subject to eminent domain or the imminent threat of eminent domain.
- Cattle, horses, or breeding livestock held for more than 12 months by qualifying farmers.
- Agricultural land by an individual who has regular, continuous, and substantial involvement in the agriculture under the criteria for material participation in Internal Revenue Code (IRC) section 469(h) for the 10 years prior to the date of the sale or exchange.
- Property used in a business if the property qualifies for an income tax deduction under IRC sections 167 or 179.
- Timber and timberland, including the cutting or disposal of timber qualifying for capital gains treatment under IRC section 631(a) or (b). This exemption also applies to the receipt of Washington capital gains as dividends and distributions from real estate investment trusts derived from gains from the sale or exchange of timber.
- Affordable rental housing, if it meets certain requirements.

For family-owned small businesses, a deduction is provided for capital gains derived from the sale of substantially all of the assets, or the transfer of substantially all of a person's interest, in a qualified family-owned small business. To qualify, they or a family member must have materially participated in the operation of the business for at least 5 of the 8 years preceding the sale or transfer. Sales or transfers to qualified heirs would be exempt from the material participation requirement. To qualify for the deduction, the taxpayer must meet several requirements.

-----Substantially all means 90%:

----- Sale of assets: The sale is of at least 90% of the fair market value of the assets of the business. Assets include real property, tangible personal property, and intangible property.

-----Transfer of interest: The transfer must be of at least 90% of the person's interest in the business. E.g., a person owning 50% of the business must transfer at least 45% of the business ownership (i.e., 90% of his/her share).

A qualified family-owned small business can be:

- A sole proprietorship, or
- An interest in an entity carrying on a trade or business if at least:
 - 50% of the entity is owned by the taxpayer and members of his/her family,
 - 70% of the entity is owned by two families and at least 30% is owned by the taxpayer and his/her family, or

-90% of the entity is owned by three families and at least 30% is owned by the taxpayer and his/her family.

---To qualify, a business must also have had 50 or fewer full-time employees and worldwide gross revenue of \$6 million or less during the 12 months immediately preceding the sale or transfer.

---Material participation:

- The taxpayer must have held a qualifying interest in the business for at least eight years immediately prior to the sale of assets or transfer of interest.
- During this period, there must have been periods aggregating at least 5 years during which the taxpayer or a member of his/her family materially participated in the operation of the trade or business.
- Exception: The material participation requirement does not apply to sales of assets or transfers of interests to qualified heirs.

Rules of allocation:

- Adjusted capital gains from the sale or exchange of real property are allocated to this state if the real property or a majority of the fair market value of the real property is located in this state at the time of sale or exchange.
- Adjusted capital gains from the sale or exchange of tangible personal property are allocated to this state if either:
 1. The property was located in this state at the time of the sale or exchange; or
 2. The property was not located in this state at the time of the sale or exchange but:
 - a. The property was located in the state at any time during the taxable year in which the sale or exchange occurred or the immediately preceding taxable year;
 - b. The taxpayer was a Washington resident at the time of the sale or exchange; and
 - c. The taxpayer is not subject to the payment of an income or excise tax on the adjusted capital gains to another jurisdiction.
- Adjusted capital gains from the sale or exchange of intangible personal property are allocated to this state if the taxpayer was domiciled in this state at the time of sale or exchange.

Individuals are allowed a credit equal to the amount of tax paid to another state or country on capital gains derived from sources within that jurisdiction, to the extent the capital gains are included in the measure of the Washington capital gains tax.

A business and occupation (B&O) tax deduction is created to avoid taxing the same amounts under both the B&O and capital gains taxes.

Washington capital gains tax returns and payments are due at the same time that the taxpayer's federal income tax return for the taxable year is due. Individuals receiving a federal tax filing extension also qualify for a state capital gains tax filing extension, but the tax is still due on the original filing date.

A statutory deduction is provided for amounts that the state is prohibited from taxing under federal law or the constitutions of the United States or state of Washington.

Revenues must be deposited to the State General Fund. A portion of these must be used to fully implement and fund the Working Families' Tax Exemption.

EFFECTIVE DATE

January 1, 2020

WORKING FAMILIES' TAX EXEMPTION:

CURRENT LAW:

The Working Families' Tax Exemption (exemption) is a state sales tax remittance, equal to a percentage of the federal Earned Income Tax Credit (EITC) available to households.

To be eligible, a taxpayer must file a federal income tax return, receive an EITC and, during the year for which the exemption is claimed, must have resided in Washington for more than 180 days and paid sales and use tax.

For each fiscal period, the exemption must be approved in the state operating budget before it can be implemented. If approved, eligible taxpayers may apply to the Department of Revenue for a remittance. For each year, the exemption amount is \$50 or 10 percent of the EITC, whichever is greater.

PROPOSAL:

The Working Families' Tax Exemption is funded with revenues from the capital gains tax. Approval in the state operating budget is not required. Applications for remittances must be accepted beginning October 1, 2021, for sales and use taxes paid in 2020.

EFFECTIVE DATE

January 1, 2020

MISCELLANEOUS PROVISIONS

Tax preferences in this legislation are not subject to the transparency and 10-year expiration date provisions of RCW 82.32.805 and 82.32.808.

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:

CAPITAL GAINS TAX

- Approximately 42,000 taxpayers pay capital gains taxes for taxes due in 2021.
- The law takes effect on January 1, 2020, and the first annual returns are due April 15, 2021.
- No estimated payments or withholdings are made during the year.
- Compliance is 90 percent in the first year and 95 percent thereafter.
- Capital gains (CG) adjustment & growth rate: We assume the base year CG is equal to the 10-year average CG.
- Growth rate in CG, 10-year average: We assume the growth rate is the lesser of the following two values:
 - 1) The average growth rate for 10-year avg. CG for the last 10 years, and
 - 2) The growth rate predicted using the growth rates for 10-year average equities.
- Approximately 50% of capital gains subject to this tax are also taxable under the B&O tax, and therefore qualify for a deduction.
- All capital gains resulting from sales of residences are exempted.
- All Washington firms with \$6 million or less in annual gross revenues qualify as family-owned small businesses and are allowed an exemption.

DATA SOURCES:

- Internal Revenue Service (IRS) - Personal income tax returns data, Federal Tax Year 2016, source for capital gains amounts.

- IRS / Statistics of Income (SOI) - Capital Gains summary statistics, 2010 to 2012, source for asset types yielding CG.
- Washington Department of Revenue - Business and occupation tax summary statistics, 2017, source for industry types
- Washington Department of Revenue - excise tax data, Fiscal Year 2018, source for percentage of capital gains that come from small businesses
- I.H.S. / Global Insights, November 2018 forecast, source for equities growth rate
- OFM population growth forecast, November 2017, source for returns growth rate

REVENUE ESTIMATES

State revenues will increase by \$775 million in Fiscal Year 2021.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

| | | |
|-----------|----|-----------|
| FY 2020 - | \$ | 0 |
| FY 2021 - | \$ | 775,200 |
| FY 2022 - | \$ | 935,100 |
| FY 2023 - | \$ | 957,900 |
| FY 2024 - | \$ | 981,300 |
| FY 2025 - | \$ | 1,005,200 |

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 functions.

ASSUMPTIONS:

Capital Gains Tax

- The capital gains tax affects 42,000 taxpayers.
- Taxpayers will not be required to make estimated payments.

Working Families' Tax Exemption

- The Department will administer the Working Families' Tax Exemption (WFTE).
- The Department will receive 426,000 applications for exemption remittances the first year of the program.
- Expenditures assume that applications will be accepted beginning October 1, 2021 for sales and use taxes paid in 2020 and that applications for taxes paid in 2021 will also be received in Fiscal Year 2022.
- Denied claims can be settled with minimal formal appeals.
- There is no expectation to provide a joint filing option with the federal income tax return.
- IRS data is maintained in a manner consistent with other similarly held data.

FIRST YEAR COSTS:

The Department of Revenue (Department) will incur total costs of \$5,491,400 in Fiscal Year 2020. These costs include:

Labor Costs - Time and effort equates to 31.3 FTEs.

Capital Gains Tax

- Provide technical advice, interpretation and analysis during the implementation process.
- Program, setup, test and verify computer systems to accept taxpayer returns and other required information and process reporting information for collection, audit, and refund purposes.
- Answer phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants.
- Update and maintain hard copy and online educational and informational materials.

- Create a special notice and update website and published information.
- Respond to letter ruling requests and email inquiries.
- Adopt two new administrative rules.

Working Families' Tax Exemption

- Increased interpretation and analysis of new laws.
- Programming to set up, test and verify the computer systems to create internal systems to process remittance applications for payment, including an internet-based application process, processing queues, tracking, imaging, and electronic funds transfers.
- Create printed materials, web information and media advertising.
- Develop an educational outreach and speaking engagements.
- Answer telephone questions concerning the exemption remittance.
- Organize a group to receive and process claims for remittance.
- Adopt one new administrative rule.

Object Costs - \$2,334,200.

Capital Gains Tax

- Contract computer system programming.
- Purchase additional server equipment.
- Acquire additional agent seat licenses for the Telephone Information Center
- Print and mail a special notice to affected taxpayers.
- Print informational materials for use in field offices.

Working Families' Tax Exemption

- Contract computer system programming.
- Acquire additional server equipment.
- Print and mail a special notice to practitioners.
- Print and mail outreach materials to those who would qualify for the WFTE based on the best information available.

SECOND YEAR COSTS:

The Department will incur total costs of \$7,226,000 in Fiscal Year 2021. These costs include:

Labor Costs - Time and effort equates to 35.8 FTEs.

Capital Gains Tax

- Provide technical advice and interpretation services.
- Ongoing programming and testing of computer systems.
- Answer phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants.
- Update and maintain hard copy and online educational and informational materials.
- Respond to letter ruling requests and email inquiries.
- Establish new reporting accounts for capital gains taxpayers.
- Process paper returns and associated work items.
- Resolve error and out of balance returns, conduct desk audits, prepare refunds and assessments.
- Collect delinquent assessments as a result of return errors.
- Hear additional administrative reviews.

Working Families' Tax Exemption

- Provide technical advice and interpretation services.
- Ongoing computer system programming and testing.
- Create printed materials, web information and media advertising.
- Continued educational outreach and speaking engagements.
- Design and develop forms and other materials to enable the processing of exemption claims.
- Answer telephone questions concerning the exemption remittance.
- Respond to email and written correspondence.
- Develop training materials for those receiving and processing claims for remittance.

Object Costs - \$3,749,400.

Capital Gains Tax

- Contract computer system programming.
- Print informational materials for use in field offices.
- Printing and mailing returns, assessments, penalty waivers, amended returns, refunds, and correspondence.
- Legal assistance from the Office of the Attorney General.

Working Families' Tax Exemption

- Lease additional office space for new employees.
- Office buildout design and construction.
- Contract computer system programming.
- Acquire additional server equipment.
- Acquire a document scanner.
- Brochures and other outreach materials for use in field offices.

THIRD YEAR COSTS:

The Department will incur total costs of \$119,414,300 in Fiscal Year 2022. These costs include:

Labor Costs - Time and effort equates to 104.9 FTEs.

Capital Gains Tax

- Provide technical advice and interpretation services.
- Ongoing programming and testing of computer systems.
- Answer phone calls and counter inquiries on tax questions and tax return preparation from businesses, individuals, and accountants.
- Update and maintain hard copy and online educational and informational materials.
- Respond to letter ruling requests and email inquiries.
- Establish new reporting accounts for capital gains taxpayers.
- Process paper returns and associated work items.
- Resolve error and out of balance returns, conduct desk audits, prepare refunds and assessments.
- Collect delinquent assessments as a result of return errors.
- Hear additional administrative reviews.

Working Families' Tax Exemption

- Provide technical advice and interpretation services.
- Ongoing computer system programming and testing.
- Continued updating of web and printed informational materials
- Continued development of forms and other materials to enable the processing of exemption claims.
- Answer telephone questions concerning the exemption remittance.

- Respond to email and written correspondence.
- Preparation and training of new staff to process and respond to remittance applications.
- Process electronic and mail applications including verification of application claims and issuing remittances.
- Collection efforts where remittances were fraudulently filed or given in error.
- Hear appeals of denied applications.
- Increase in payroll, human resource, and administrative functions to service new employees.

Object Costs - \$110,637,000.

Capital Gains Tax

- Contract computer system programming.
- Print informational materials for use in field offices.
- Printing and mailing returns, assessments, penalty waivers, amended returns, refunds, and correspondence.
- Legal assistance from the Office of the Attorney General.

Working Families' Tax Exemption

- Lease additional office space for new employees.
- Contract computer system programming.
- Acquire additional server equipment.
- Acquire additional agent seat licenses for the Telephone Information Center
- Print and mail outreach materials to those who would qualify for the WFTE based on the best information available.
- Print and mail remittance applications to those who cannot apply electronically.
- Brochures and other outreach materials for use in field offices.
- Services for issuing remittance warrants.
- WFTE remittances to approved applicants (\$105,900,000).

ONGOING COSTS:

Ongoing costs for Fiscal Year 2023 equal \$123,633,900 and include similar activities described in the third year costs. Time and effort equates to 102.9 FTEs. Costs include WFTE remittances of \$112,500,000 to approved applicants.

Ongoing WFTE remittances:

- Fiscal Year 2024 - \$118,200,000
- Fiscal Year 2025 - \$121,500,000

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

| | FY 2020 | FY 2021 | 2019-21 | 2021-23 | 2023-25 |
|--------------------------------------|--------------------|--------------------|---------------------|----------------------|----------------------|
| FTE Staff Years | 31.3 | 35.8 | 33.5 | 103.9 | 103.6 |
| A-Salaries and Wages | 1,994,200 | 2,288,600 | 4,282,800 | 10,764,100 | 10,688,700 |
| B-Employee Benefits | 598,200 | 686,600 | 1,284,800 | 3,229,500 | 3,206,800 |
| C-Professional Service Contracts | 500,000 | 3,000,000 | 3,500,000 | 5,500,000 | 3,000,000 |
| E-Goods and Other Services | 2,155,500 | 933,800 | 3,089,300 | 4,351,400 | 3,959,600 |
| G-Travel | | | | 14,600 | 20,100 |
| J-Capital Outlays | 243,500 | 317,000 | 560,500 | 788,600 | 468,200 |
| N-Grants, Benefits & Client Services | | | | 218,400,000 | 239,700,000 |
| Total \$ | \$5,491,400 | \$7,226,000 | \$12,717,400 | \$243,048,200 | \$261,043,400 |

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 |
|--------------------------------|---------|---------|---------|---------|---------|---------|
| ADM ASST 3 | 39,984 | | 0.1 | 0.1 | 0.2 | 0.2 |
| COMMUNICATIONS CNSLT 4 | 60,636 | 1.0 | 0.8 | 0.9 | | |
| EMS BAND 4 | 115,593 | 0.0 | | 0.0 | | |
| EMS BAND 5 | 135,039 | 0.0 | | 0.0 | | |
| EXCISE TAX EX 1 | 40,908 | | | | 30.0 | 30.0 |
| EXCISE TAX EX 2 | 51,000 | 4.0 | 10.0 | 7.0 | 30.0 | 30.0 |
| EXCISE TAX EX 3 | 56,256 | 1.0 | 2.0 | 1.5 | 10.0 | 10.0 |
| EXCISE TAX EX 4 | 62,148 | 4.0 | 4.0 | 4.0 | 5.0 | 5.0 |
| FISCAL ANALYST 3 | 52,332 | | 0.1 | 0.1 | 0.4 | 0.4 |
| FISCAL ANALYST 5 | 60,636 | 0.1 | | 0.1 | | |
| FORMS AND RECORDS ANALYST 2 | 42,900 | | | | 0.1 | 0.1 |
| FORMS AND RECORDS ANALYST 3 | 48,480 | 0.5 | | 0.3 | | |
| FORMS AND RECORDS ANALYST SUPV | 54,924 | | 0.1 | 0.1 | 0.1 | 0.1 |
| HUM RES CNSLT 4 | 63,684 | | | | 1.0 | 1.0 |
| INFO TECH S/A S 6 | 85,668 | 2.0 | 2.0 | 2.0 | 1.0 | 1.0 |
| IT SPEC 3 | 63,684 | 0.5 | | 0.3 | | |
| IT SPEC 4 | 70,320 | 2.5 | 2.5 | 2.5 | 1.0 | 1.0 |
| IT SPEC 5 | 77,616 | 1.0 | 2.0 | 1.5 | 1.3 | 1.0 |
| MGMT ANALYST1 | 45,096 | 0.0 | | 0.0 | | |
| MGMT ANALYST4 | 63,684 | 1.0 | | 0.5 | | |
| MGMT ANALYST5 | 68,580 | | 1.0 | 0.5 | 0.1 | 0.1 |
| OFF ASST 3 | 33,132 | | 0.1 | 0.1 | 3.1 | 3.1 |
| REVENUE AGENT 1 | 43,968 | | | | 2.5 | 2.3 |
| REVENUE AGENT 2 | 52,332 | | | | 1.6 | 4.5 |
| REVENUE AGENT 3 | 57,708 | | | | 2.0 | 2.0 |
| REVENUE AGENT 4 | 60,636 | | | | 1.0 | 1.0 |
| TAX INFO SPEC 1 | 40,908 | 5.0 | 2.0 | 3.5 | 3.5 | 2.6 |
| TAX INFO SPEC 4 | 60,636 | 2.2 | 2.5 | 2.4 | 2.8 | 1.5 |
| TAX POLICY SP 2 | 68,580 | 0.0 | | 0.0 | | |
| TAX POLICY SP 3 | 77,616 | 3.7 | 3.8 | 3.8 | 4.2 | 3.7 |
| TAX POLICY SP 4 | 83,556 | 0.7 | 0.8 | 0.7 | 0.9 | 0.8 |
| WMS BAND 2 | 86,425 | 1.0 | 1.0 | 1.0 | 1.3 | 1.3 |
| WMS BAND 3 | 98,308 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Total FTEs | | 31.3 | 35.8 | 33.6 | 103.9 | 103.6 |

Part IV: Capital Budget Impact

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will take the following rule actions:

Capital Gains Tax

The Department will adopt two new rules under 458-20 WAC, one using the complex process and one using the standard process. Persons affected by this rule making would persons with significant investments in equities and other capital assets.

Working Families' Tax Exemption

The Department will adopt one new rule under 458-20 WAC using the complex process. Persons affected by this rule making would include Washington State residents eligible for the federal earned income tax credit.

Individual State Agency Fiscal Note

| | | |
|-----------------------------|-----------------------------|---|
| Bill Number: 5961 SB | Title: Tax Structure | Agency: 540-Employment Security Department |
|-----------------------------|-----------------------------|---|

Part I: Estimates

No Fiscal Impact

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: Jeffrey Mitchell | Phone: 360-786-7438 | Date: 02/18/2019 |
| Agency Preparation: Xia Zhan | Phone: 360 902-0023 | Date: 03/04/2019 |
| Agency Approval: Sondra Walsh | Phone: 360/902-0023 | Date: 03/04/2019 |
| OFM Review: Anna Minor | Phone: (360) 902-0541 | Date: 03/04/2019 |

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 establishes a capital gains tax of 7.09% on the individual's Washington capital gains. Certain exemptions are created for single-family residence and various assets including but not limited to retirement savings and agricultural land and livestock. The bill amends RCW 82.08.0206 which is also being monitored by the agency for the various working family tax credit changes. This bill does not change the working family tax program from its current form of operation.

This bill would mainly impact the Department of Revenue and does not impact ESD.

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.

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.

None.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.