

# Department of Revenue Fiscal Note

|                             |  |  |
|-----------------------------|--|--|
| <b>Bill Number:</b> 5501 SB | <b>Title:</b> Taxation of employee meals | <b>Agency:</b> 140-Department of Revenue |
|-----------------------------|--|--|

## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

| Account   | FY 2012   | FY 2013   | 2011-13   | 2013-15   | 2015-17   |
|---|-----------|-----------|-----------|-----------|-----------|
| GF-STATE-State<br>01 - Taxes 01 - Retail Sales Tax                                    | (286,000) | (335,000) | (621,000) | (706,000) | (758,000) |
| GF-STATE-State<br>01 - Taxes 05 - Bus and Occup Tax                                   | (21,000)  | (24,000)  | (45,000)  | (51,000)  | (55,000)  |
| Performance Audits of Government<br>Account-State<br>01 - Taxes 01 - Retail Sales Tax |           | (1,000)   | (1,000)   | (2,000)   | (2,000)   |
| <b>Total \$</b>   | (307,000) | (360,000) | (667,000) | (759,000) | (815,000) |

### Estimated Expenditures from:

|                      | FY 2012 | FY 2013 | 2011-13 | 2013-15 | 2015-17 |
|----------------------|---------|---------|---------|---------|---------|
| FTE Staff Years      | 0.2     | 0.1     | 0.1     |         |         |
| <b>Account</b>       |         |         |         |         |         |
| GF-STATE-State 001-1 | 13,000  | 5,600   | 18,600  |         |         |
| <b>Total \$</b>      | 13,000  | 5,600   | 18,600  |         |         |

### 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: Dean Carlson | Phone: (360)786-7305  | Date: 01/28/2011 |
| Agency Preparation: Erin Valz     | Phone: 360-534-1522   | Date: 02/10/2011 |
| Agency Approval: Don Gutmann      | Phone: 360-534-1510   | Date: 02/10/2011 |
| OFM Review: Heather Matthews      | Phone: (360) 902-0543 | Date: 02/14/2011 |

Request # 5501-2-2

## 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 revenue impacts, and supersedes fiscal note number 5501-1.

This bill would exempt employee meals provided by restaurants without specific charge to employees from certain taxes. Specifically, it exempts employee meals from business and occupation tax, and also sales and use tax.

An employee meal is defined to mean one or more items of prepared food or beverages other than alcoholic beverages.

Restaurants are defined as follows:

\*Any establishment having special space and accommodation where food and beverages are regularly sold to the public for immediate, but not necessarily on-site, consumption, but excluding grocery stores, mini-markets, and convenience stores.

\*Restaurant includes, but is not limited to, lunch counters, diners, coffee shops, espresso shops or bars, concession stands or counters, delicatessens, and cafeterias.

\*Restaurants also includes space and accommodations where food and beverages are sold to the public for immediate consumption that are located within hotels, motels, lodges, boarding houses, bed and breakfast facilities, hospitals, office buildings, movie theaters, and schools, colleges, or universities, if a separate charge is made for such food or beverages.

\*Mobile sales units that sell food or beverages for immediate consumption within a place, the entrance to which is subject to an admission charge, are "restaurants."

\*Public and private carriers, such as trains and vessels, that sell food or beverages for immediate consumption if a separate charge for the food and/or beverages is made are "restaurants."

\*A restaurant is open to the public for purposes of this section if members of the public can be served as guests.

\*"Restaurant" does not include businesses making sales through vending machines or through mobile sales units such as catering trucks or sidewalk vendors of food or beverage items.

This bill would be effective July 1, 2011.

### 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/DATA SOURCES

- This estimate assumes that there is a 13 percent compliance rate for the collection of sales tax in all years.
- The first year reflects 11 months of cash collection, and 12 months for all years after.

#### Data Sources:

- Department of Revenue Audit Division.
- Department of Revenue Tax Collection data.
- Bureau of Labor Statistics.
- Survey data from the Restaurant Association.

#### REVENUE ESTIMATES

This proposal will decrease state revenues by an estimated \$667,000 2011-2013 Biennium, \$759,000 in the 2013-2015 Biennium, and \$815,000 in the 2015-2017 Biennium.

## TOTAL REVENUE IMPACT:

### State Government (cash basis, \$000):

FY 2012 - \$ (307)  
FY 2013 - \$ (360)  
FY 2014 - \$ (373)  
FY 2015 - \$ (386)  
FY 2016 - \$ (400)  
FY 2017 - \$ (415)

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

FY 2012 - \$ (107)  
FY 2013 - \$ (125)  
FY 2014 - \$ (129)  
FY 2015 - \$ (134)  
FY 2016 - \$ (139)  
FY 2017 - \$ (144)

## II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing*

### ASSUMPTIONS:

Expenditures assume 26,000 taxpayers will be affected by this proposal.

### INITIAL COSTS:

The Department of Revenue (Department) will incur costs of \$7,600 in Fiscal Year 2011 that are not included in the six year expenditure impact for this fiscal estimate. These start-up costs include:

- Postage and printing costs to mail a special notice to non e- filers.

### FIRST YEAR COSTS:

The Department will incur costs of \$13,000 in Fiscal Year 2012. These costs include:

- Labor Costs – Time and effort equates to 0.2 FTE.
- Answer questions from taxpayers about the law change.

### SECOND YEAR COSTS:

The Department will incur costs of \$5,600 in Fiscal Year 2013. These costs include:

- Labor Costs – Time and effort equates to 0.1 FTE.
- Amend two administrative rules.

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

|                      | FY 2012         | FY 2013        | 2011-13         | 2013-15 | 2015-17 |
|----------------------|-----------------|----------------|-----------------|---------|---------|
| FTE Staff Years      | 0.2             | 0.1            | 0.1             |         |         |
| A-Salaries and Wages | 6,900           | 3,400          | 10,300          |         |         |
| B-Employee Benefits  | 2,100           | 1,000          | 3,100           |         |         |
| E-Goods and Services | 2,800           | 900            | 3,700           |         |         |
| J-Capital Outlays    | 1,200           | 300            | 1,500           |         |         |
| <b>Total \$</b>      | <b>\$13,000</b> | <b>\$5,600</b> | <b>\$18,600</b> |         |         |

**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 2012    | FY 2013    | 2011-13    | 2013-15 | 2015-17 |
|--------------------|----------------|------------|------------|------------|---------|---------|
| HEARINGS SCHEDULER | 32,688         |            | 0.0        | 0.0        |         |         |
| TAX INFO SPEC 1    | 36,757         | 0.2        |            | 0.1        |         |         |
| TAX POLICY SP 2    | 61,628         |            | 0.0        | 0.0        |         |         |
| TAX POLICY SP 3    | 69,756         |            | 0.0        | 0.0        |         |         |
| WMS BAND 3         | 88,546         |            | 0.0        | 0.0        |         |         |
| <b>Total FTE's</b> | <b>289,375</b> | <b>0.2</b> | <b>0.1</b> | <b>0.2</b> |         |         |

## Part IV: Capital Budget Impact

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

NONE

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 of Revenue will use the expedited process to amend WAC 458-20-119-Sales of meals and WAC 458-20-124-Restaurants, cocktail bars, taverns and similar businesses. Persons affected by this rule-making would include businesses who provide meals to their employees.