



# Multiple Agency Ten-Year Analysis Summary

<b>Bill Number</b> 5096 E S SB PL	<b>Title</b>
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This ten-year analysis is limited to the estimated cash receipts associated with the proposed tax or fee increases.

## Estimated Cash Receipts

	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	2022-31 TOTAL
Administrative Office of the Courts	0	0	0	0	0	0	0	0	0	0	0
Office of State Treasurer	0	0	0	0	0	0	0	0	0	0	0
Office of Attorney General	0	0	0	0	0	0	0	0	0	0	0
Caseload Forecast Council	0	0	0	0	0	0	0	0	0	0	0
Department of Revenue	0	527,000,000	560,000,000	602,000,000	620,000,000	638,000,000	661,000,000	685,000,000	709,000,000	734,000,000	5,736,000,000
Department of Corrections	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>527,000,000</b>	<b>560,000,000</b>	<b>602,000,000</b>	<b>620,000,000</b>	<b>638,000,000</b>	<b>661,000,000</b>	<b>685,000,000</b>	<b>709,000,000</b>	<b>734,000,000</b>	<b>5,736,000,000</b>

<b>Prepared By:</b> Gaius Horton	<b>Phone Number:</b> (360) 819-3112	<b>Date Approved or Published:</b> 06/09/2021
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# Ten-Year Analysis

<b>Bill Number</b> 5096 E S SB PL	<b>Title</b>	<b>Agency</b> 055 Administrative Office of the Courts
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											

Agency Preparation: Sam Knutson	Phone: 360-704-5528	Date: 6/10/2021 8:34:56 am
Agency Approval: Sam Knutson	Phone: 360-704-5528	Date: 6/10/2021 8:34:56 am
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 6/11/2021 8:51:26 am



# Ten-Year Analysis

<b>Bill Number</b> 5096 E S SB PL	<b>Title</b>	<b>Agency</b> 090 Office of State Treasurer
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											

Agency Preparation: Dan Mason	Phone: (360) 902-8990	Date: 5/30/2021 9:00:49 am
Agency Approval: Dan Mason	Phone: (360) 902-8990	Date: 5/30/2021 9:00:49 am
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 6/11/2021 8:51:26 am



# Ten-Year Analysis

<b>Bill Number</b> 5096 E S SB PL	<b>Title</b>	<b>Agency</b> 100 Office of Attorney General
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**                       **Partially Indeterminate Cash Receipts**                       **Indeterminate Cash Receipts**

<b>Name of Tax or Fee</b>	<b>Acct Code</b>												
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Agency Preparation: Edd Giger	Phone: 360-586-2104	Date: 5/27/2021 10:40:56 am
Agency Approval: Dianna Wilks	Phone: 360-709-6463	Date: 5/27/2021 10:40:56 am
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 6/11/2021 8:51:26 am



# Ten-Year Analysis

<b>Bill Number</b> 5096 E S SB PL	<b>Title</b>	<b>Agency</b> 101 Caseload Forecast Council
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code												
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Agency Preparation: Clela Steelhammer	Phone: 360-664-9381	Date: 6/2/2021 6:23:24 am
Agency Approval: Clela Steelhammer	Phone: 360-664-9381	Date: 6/2/2021 6:23:24 am
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 6/11/2021 8:51:26 am



# Ten-Year Analysis

<b>Bill Number</b> 5096 E S SB PL	<b>Title</b>	<b>Agency</b> 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

## Estimated Cash Receipts

Name of Tax or Fee	Acct Code	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029	Fiscal Year 2030	Fiscal Year 2031	2022-31 TOTAL
Capital Gains Tax	08A		500,000,000	509,000,000	519,000,000	530,000,000	540,000,000	551,000,000	562,000,000	573,000,000	584,000,000	4,868,000,000
Capital Gains Tax	113		27,000,000	51,000,000	83,000,000	90,000,000	98,000,000	110,000,000	123,000,000	136,000,000	150,000,000	868,000,000
<b>Total</b>			<b>527,000,000</b>	<b>560,000,000</b>	<b>602,000,000</b>	<b>620,000,000</b>	<b>638,000,000</b>	<b>661,000,000</b>	<b>685,000,000</b>	<b>709,000,000</b>	<b>734,000,000</b>	<b>5,736,000,000</b>
<b>Biennial Totals</b>			<b>527,000,000</b>	<b>1,162,000,000</b>	<b>1,258,000,000</b>	<b>1,346,000,000</b>	<b>1,443,000,000</b>	<b>5,736,000,000</b>				

## Narrative Explanation (Required for Indeterminate Cash Receipts)

### ASSUMPTIONS:

- Approximately 7,000 taxpayers pay Washington capital gains tax for taxes due in 2023.
- The tax takes effect on January 1, 2022, and the first payments are due on or about April 17, 2023.
- Because we do not have federal tax return data on nonresident individuals, this fiscal estimate assumes that the long-term net capital gains reported on Washington residents' federal tax returns are equivalent to the Washington capital gains for all taxpayers, including nonresidents.
- Taxpayers may only consider losses allocated to the state under Section 11 when calculating their adjusted capital gains and Washington capital gains. Losses not allocated to the state under Section 11 cannot be used to reduce a taxpayer's adjusted capital gains. Limiting available losses to losses allocated to the state would have a minimal but positive impact on revenues. For the purpose of this estimate, we assume the impact is zero due to a lack of information about how gains and losses are allocated to the state in the data available.
- Decoupling the Federal Opportunity Zone program from the Washington capital gains tax will have a minimal but positive impact on revenues.
- Determining federal net long-term capital gains as if the alternative minimum tax did not exist will have a minimal but indeterminate impact on revenues.
- No estimated payments or withholdings are made during the year.
- For all asset types excluded from the tax, the percentage of a taxpayer's gains resulting from sales or exchanges of these assets aligns with percentages reported in IRS



# Ten-Year Analysis

<b>Bill Number</b> 5096 E S SB PL	<b>Title</b>	<b>Agency</b> 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Narrative Explanation (Required for Indeterminate Cash Receipts)

SOI statistical tables for all taxpayers nationwide.

- Future amounts of capital gains for taxpayers equal the amounts reported in 2018 tax returns, adjusted by using forecasted rates of growth and decay.
- The ratio of the out-of-state credit to gross tax is the same for Tax Years 2017 and 2018.
- Compliance is 85 percent in the first year, 90 percent in the second year, and 95 percent thereafter.

For the purpose of the entity interest sale or exchange exemption under Section 6 (2), we estimate the amount of corporate stock capital gains exempted using the following assumptions:

- 87 percent of corporate stock capital gains are associated with privately held firms.
- 89 percent of depreciable business assets held by C-corporations consists of real estate.
- The types of assets sold or exchanged for capital gains align with the types of assets held by all U.S. C-corporations for Tax Year 2013, and capital gains resulting from such exchanges are proportional to the assets sold or exchanged, across all types of assets. For instance, if 16 percent of C -corporation assets are real property, then 16 percent of corporate stock capital gains result from the sale or exchange of real property.

For the purpose of estimating the amount of pass-through capital gains exempted, we assume:

- The types of assets sold or exchanged for capital gains align with the types of assets held by all U.S. S -corporations and partnerships for Tax Year 2014, and capital gains resulting from such exchanges are proportional to the assets sold or exchanged, across all types of assets.
- Sales or exchanges from 89 percent of depreciable business assets consists of real estate improvements.
- Sales or exchanges from all real estate held by these entities are exempt.

Due to a lack of available information about the amount of goodwill associated with sales of franchised auto dealerships, we assume the amount of goodwill associated with the sale of a franchised auto dealership is:

- For pass-through capital gains, the amount of amortizable intangible assets held by businesses in the “Motor vehicle dealers and parts dealers” sector, and
- For “Other Assets” sold or exchanged for capital gains, we assume that 51 percent of sales or exchanges of such assets are exempt, rather than 50 percent. The Other Assets category is in IRS table 2A, listed in the Data Sources section.

For the purpose of estimating the amount of the qualified family -owned small business deduction, we assume:

- All Washington firms with \$10 million or less in annual gross revenue will qualify as a qualified family -owned small business. To the extent that capital gains are derived from either (1) the sale of substantially all of the fair market value of the assets of a qualified family -owned small business, or (2) the sale of substantially all of a taxpayer’s qualifying interest in a qualified family-owned small business, the capital gains from such a sale will qualify for a deduction.
- The percentage of all capital gains qualifying for the qualified family -owned small business deduction remains constant year -to-year. This assumption has the same rever



# Ten-Year Analysis

<b>Bill Number</b> 5096 E S SB PL	<b>Title</b>	<b>Agency</b> 140 Department of Revenue
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## Narrative Explanation (Required for Indeterminate Cash Receipts)

impact as annually inflating the gross revenue limitation would have.

For the purpose of estimating the amount of the charitable donations deduction, we assume:

- Current charitable contribution levels reported for federal income tax purposes remain constant. If charitable contribution amounts increase after the capital gains tax goes into effect, the revenues estimated will decrease.
- All charitable contributions reported for federal income tax purposes qualify for the charitable donations deduction in this legislation.

B&O tax credit:

- Each taxpayer maximizes the amount of the credit by applying the standard exemption first to gains realized from personal sources, then applying any remainder to gains from business sources.
- 10 percent of taxable capital gains resulting from business activity in the finance sector is not subject to the B&O tax, because it comes from private equity firms and hedge funds, which qualify for the investment income deduction against the B&O tax.
- The Financial Institutions Surtax for the B&O tax remains in effect.

DATA SOURCES:

- Internal Revenue Service (IRS) - Individual income tax returns data, Tax Years 2017 and 2018.
- IRS: SOI Tax Stats - Sales of Capital Assets Report on Individual Tax Returns, Tables 2A and 1 C, Tax Years 2008 to 2012.
- IRS Statistics of Income: Returns of Active Corporations, Form 1120S - Table 6.1. Balance Sheet and Income Statement Items, by Major Industry, Tax Year 2014.
- IRS Statistics of Income: Table 3. All Partnerships: Balance Sheets by Industrial Group, Tax Year 2016.
- IRS Statistics of Income: Table 5. Partnerships with Income (or Loss) Allocated to Partners, by Selected Industrial Group, Tax Year 2014.
- IRS Statistics of Income: Returns of Active Corporations, Form 1120 - Table 16. Balance Sheet, Income Statement, Tax, and Selected Other Items, by Major Industry, Tax Year 2013.
- Department of Revenue: Excise tax data, Calendar Year 2020, Q2, used to estimate effective B&O tax rates for finance sector firms.
- Department of Revenue: Excise tax data, Fiscal Year 2018, used to estimate percentage of gross revenues that come from small businesses.
- Personal Income Forecast (November 2020). This includes:
  - The U.S. Congressional Budget Office: Capital gains realizations forecast (all states), August 2020, used to grow capital gains amounts.
  - Economic and Revenue Forecast Council, November 2020, Seattle CPI-Urban (U.S. BLS) forecast, used to adjust amounts for inflation.

REVENUE ESTIMATES





# Ten-Year Analysis

<b>Bill Number</b> 5096 E S SB PL	<b>Title</b>	<b>Agency</b> 140 Department of Revenue
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Narrative Explanation (Required for Indeterminate Cash Receipts)

<p><b>TOTAL REVENUE IMPACT:</b></p> <p>State Government (cash basis, \$000):</p> <p>FY 2022 - \$ 0</p> <p>FY 2023 - \$ 442,000</p> <p>FY 2024 - \$ 469,000</p> <p>FY 2025 - \$ 505,000</p> <p>FY 2026 - \$ 519,000</p> <p>FY 2027 - \$ 534,000</p> <p>Local Government, if applicable (cash basis, \$000): None</p>
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Agency Preparation: Sara del Moral	Phone: 360-534-1525	Date: 6/21/2021 1:09:58 pm
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 6/21/2021 1:09:58 pm
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 6/11/2021 8:51:26 am



# Ten-Year Analysis

<b>Bill Number</b> 5096 E S SB PL	<b>Title</b>	<b>Agency</b> 310 Department of Corrections
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This ten-year analysis is limited to agency estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at <http://www.ofm.wa.gov/tax/default.asp>.

## Estimates

**No Cash Receipts**
                         
  **Partially Indeterminate Cash Receipts**
                         
  **Indeterminate Cash Receipts**

Name of Tax or Fee	Acct Code											

Agency Preparation: Scherry Sinclair	Phone: 360-725-8846	Date: 6/2/2021 11:01:36 am
Agency Approval: Ronell Witt	Phone: 3607258989	Date: 6/2/2021 11:01:36 am
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 6/11/2021 8:51:26 am