

SENATE BILL REPORT

2SHB 1811

As Reported By Senate Committee On:
Labor, Commerce, Research & Development, March 22, 2007
Ways & Means, April 2, 2007

Title: An act relating to the installation of automatic sprinkler systems in nightclubs.

Brief Description: Regarding automatic sprinkler systems in nightclubs.

Sponsors: House Committee on Finance (originally sponsored by Representatives Pedersen, Simpson, Wood, Moeller and Quall).

Brief History: Passed House: 3/10/07, 97-0.

Committee Activity: Labor, Commerce, Research & Development: 3/20/07, 3/22/07 [DP-WM].

Ways & Means: 4/02/07 [DPA].

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Clements, Ranking Minority Member; Franklin and Holmquist.

Staff: Kathleen Buchli (786-7488)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Dianne Criswell (786-7433)

Background: In 2005, the Legislature passed ESHB 1401 which directed the Washington State Building Code Council to develop rules requiring that all nightclubs be provided with an automatic sprinkler system. These rules take effect December 1, 2007.

ESHB 1401 provided for a special property tax exemption which property owners could apply for before installing automatic sprinkler systems. No tax exemptions were provided to a nightclub owner who leases the real property upon which his or her nightclub is located.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Summary of Second Substitute Bill: The date by which automatic sprinklers must be installed is extended to December 1, 2009.

The definition of nightclub is changed to reflect the 2006 International Building Code standards, and is limited to nightclubs having more than 350 square feet of standing space that is specifically designated and primarily used for dancing or viewing performers. Theaters with fixed seating, banquet halls, or lodge halls are excluded from the definition of nightclub.

The special property tax exemption is extended to include real property lessees. If the lessee has paid for all expenses associated with the installation and purchase of the automatic sprinkler system, the benefit of the exemption must inure to the lessee. The owner and the lessee of the real property may not both receive the special property tax exemption in the same year for the same automatic sprinkler system. No new applications for a special property tax exemption may be made after December 31, 2009.

A business and occupation tax credit is allowed for 50 percent of the costs of purchasing and installing an automatic sprinkler system. The owner or lessee of the real property may apply for the business and occupation tax credit if the owner or lessee has not applied for the special property tax exemption. The credit remains available until used. No credit may be earned after December 31, 2009.

EFFECT OF CHANGES MADE BY RECOMMENDED AMENDMENT(S) AS PASSED COMMITTEE (Ways & Means): Removes the business and occupation tax credit.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2007.

Staff Summary of Public Testimony (Labor, Commerce, Research & Development):

PRO: Since the 2005 Act mandating sprinkler systems in nightclubs was enacted, there have been significant problems in implementation. Lessees have been unable to take the property tax credit that was provided to the property owners. There is a shortage of sprinkler installers. Extending the implementation date will support public safety and protect small businesses. The nightclub definition in the 2005 Act was too broadly construed; this bill brings the focus on nightclubs which is what was originally intended. The business and occupation tax credit will help because the sprinkler systems are costly to install, with a large portion of the costs coming from hooking up to the city's water main. If no tax credit is provided, some venues may have to change their use because they will not be able to afford the costs of the sprinkler systems. The bill needs to move forward even if no tax break is provided.

Persons Testifying (Labor, Commerce, Research & Development): PRO: Michael Transue, Washington Restaurant Association; Tim Nogler, Washington State Building Code Council; Tim Hatley, Seattle Nightlife and Music Association.

Staff Summary of Public Testimony (Ways & Means): PRO: Lessees have not been able to benefit from the property tax credit that was enacted in 2005 for owners of nightclubs who must install sprinkler systems. There are a lot of costs related to implementation. This bill will help people who must bear these costs.

Persons Testifying (Ways & Means): PRO: Michael Transue, Washington Restaurant Association.