

SENATE BILL REPORT

SB 5832

As Reported By Senate Committee On:
Labor, Commerce, Research & Development, February 20, 2007

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

Brief Description: Regarding automatic sprinkler systems in nightclubs.

Sponsors: Senators Kohl-Welles, Clements, Keiser and Kline.

Brief History:

Committee Activity: Labor, Commerce, Research & Development: 2/13/07, 2/20/07[DPS-WM].

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5832 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

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

Staff: Kathleen Buchli (786-7488)

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.

Summary of 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 three hundred 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

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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.

The owner or lessee of the real property may apply for a business and occupation tax credit if the owner or lessee has not applied for the special property tax exemption and has paid for the cost of purchasing and installing an automatic sprinkler system. The credit remains available until used, unless an application has been made for the special property tax exemption. No credit may be earned after December 31, 2009.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Labor, Commerce, Research & Development): References to real property are removed and replaced with references to property. This attaches the exemptions to the sprinklers and not to the property on which they are installed. A reference to the county assessor is corrected. Applications are to be filed with the county assessor and not with the Department of Revenue.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: July 1, 2007.

Staff Summary of Public Testimony: PRO: The bill addresses the difficulty in implementing the 2005 Act and also addresses the fact that the property owner may not be installing the system and a mechanism is needed to provide the lessee with a tax benefit. The bill changes the definition of nightclub which has too broad of an application. The current definition brings it closer to the facilities that were originally intended to be regulated by the 2005 Act. Some nightclubs could have gone out of business because of the costs of the sprinkler systems and the tax credits are a good way to get some of their investments back. More could be done to get that investment back to the businesses.

OTHER: The committee should consider moving the implementation date to occur before the 2009 implementation date in the bill.

Persons Testifying: PRO: Michael Transue, Washington Restaurant Association; Tim Nogler, Washington State Building Code Council; Jerry Everard, Seattle Nightlife and Music Association.

OTHER: Charles Hansen, citizen.