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**SUBSTITUTE HOUSE BILL 1690**

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**State of Washington 64th Legislature 2015 Regular Session**

**By** House Technology & Economic Development (originally sponsored by Representatives Walkinshaw, Rodne, Tarleton, Magendanz, Fitzgibbon, Stokesbary, Farrell, and Morris)

AN ACT Relating to providing a tax deferral for the expansion of certain existing public facilities district convention centers; amending RCW 36.100.090; and creating a new section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. **Sec.**  (1) This section is the tax preference performance statement for the expanded tax deferral contained in this act. This performance statement is intended to be used only for subsequent evaluation of the tax preferences. It is not intended to create a private right of action by any party or be used to determine eligibility for preferential tax treatment.

(2) The legislature categorizes this tax preference as intended to provide tax relief for certain businesses or individuals, as indicated in RCW 82.32.808(2)(e).

(3) It is the legislature's specific public policy objective to insure plans to expand an existing public facilities district convention center located in a county with a population of one million five hundred thousand or more may proceed on schedule to take advantage of attractive financing and construction costs.

(4) The legislature finds that the state derives certain economic benefits from the earliest construction start date for the convention center's expansion:

(a) The loan will be able to take advantage of low interest rates available in the near term, reducing the total cost of loan repayment;

(b) The state will realize reduced construction costs by pursuing bids and initiating construction in the near term; and

(c) The convention center will begin generating additional revenues earlier, enabling timely loan repayment.

(5) Therefore, in reviewing the success of this tax preference, the joint legislative audit and review committee must assess:

(a) Whether the interest rate obtained on the loan was lower than it would have been, if the loan was obtained twenty-four months later;

(b) Whether construction costs at the time that meaningful construction begins are lower than such costs would have been, if meaningful construction began two years later; and

(c) Whether the expanded convention center generated increased revenues, as measured three years after completion of an expanded facility, and as compared to the center's average revenues over the two-year period prior to such completion.

(6) For purposes of this section, "meaningful construction" means an active construction site, where excavation of a building site, laying of a building foundation, or other tangible signs of construction are taking place, such that a progression in the construction process is clearly demonstrated. Planning, permitting, or land clearing before excavation of a building site, without more, does not constitute meaningful construction.

(7) The joint legislative audit and review committee must conduct an assessment to determine progress toward achieving economic benefits by assessing revenues received and projected for the expansion of the existing convention center, as measured three years after an expansion of the existing convention center commences operation.

**Sec.**  RCW 36.100.090 and 1995 1st sp.s. c 14 s 6 are each amended to read as follows:

(1) The governing board of a public facilities district may apply for deferral of taxes on the construction of buildings, site preparation, and the acquisition of related machinery and equipment for a new public facility. Application ((~~shall~~)) must be made to the department of revenue in a form and manner prescribed by the department of revenue. The application ((~~shall~~)) must contain information regarding the location of the public facility, estimated or actual costs, time schedules for completion and operation, and other information required by the department of revenue. The department of revenue ((~~shall~~)) must approve the application within sixty days if it meets the requirements of this section.

(2)(a) The department of revenue ((~~shall~~)) must issue a sales and use tax deferral certificate for state ((~~and local~~)) sales and use taxes due under chapters 82.08((~~,~~)) and 82.12((~~, and 82.14~~)) RCW on the public facility. The use of the certificate ((~~shall be~~)) is governed by rules established by the department of revenue.

(b) The sales and use tax deferral certificate may only be issued for state sales and use taxes on a public facility as defined in subsection (7)(b) of this section if the public facilities district, as part of the application process, provides the department of revenue a signed affidavit stating that the public facility is designed and shall be constructed to at least the LEED silver standard, as defined in RCW 39.35D.020.

(3)(a) The public facilities district ((~~shall~~)) must begin paying the deferred taxes in the fifth year after the date certified by the department of revenue as the date on which the public facility is operationally complete. The first payment is due on December 31st of the fifth calendar year after such certified date, with subsequent annual payments due on December 31st of the following nine years. Each payment ((~~shall~~)) must equal ten percent of the deferred tax.

(b) Before the first payment is due under subsection (3)(a) of this section, a public facilities district seeking a deferral for a public facility as defined in subsection (7)(b) of this section must provide to the department of revenue certification from the department of enterprise services that the facility has been constructed to at least the LEED silver standard and is operationally completed. Failure to provide this certification will result in a five million dollar penalty, divided and due in equal amounts with each payment of the deferred tax.

(4) The department of revenue may authorize an accelerated repayment schedule upon request of the public facilities district.

(5) Interest ((~~shall~~)) may not be charged on any taxes deferred under this section for the period of deferral, although all other penalties and interest applicable to delinquent excise taxes may be assessed and imposed for delinquent payments under this section. The debt for deferred taxes is not extinguished by insolvency or other failure of the public facilities district.

(6) Applications and any other information received by the department of revenue under this section are not confidential and are subject to disclosure. Chapter 82.32 RCW applies to the administration of this section.

(7) As used in this section, "public facility" means:

(a) A baseball stadium with a retractable roof or canopy and natural turf, but does not include any expansion of an existing baseball stadium that occurs after January 1, 2015; or

(b) The expansion of an existing public facilities district convention center located in a county with a population of one million five hundred thousand or more.

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