

SHB 2032 - S COMM AMD
By Committee on Ways & Means

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** (1) This section is the tax preference
4 performance statement for the expanded tax deferral contained in
5 section 2, chapter . . ., Laws of 2020 (section 2 of this act). This
6 performance statement is intended to be used only for subsequent
7 evaluation of the tax preference. It is not intended to create a
8 private right of action by any party or be used to determine
9 eligibility for preferential tax treatment.

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

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

18 (4) The legislature finds that the state derives certain economic
19 benefits from the earliest completion date for a convention center's
20 expansion or renovations to be in operation:

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

24 (b) The state will realize additional tax benefits generated by
25 implementation and operation of the expanded or renovated center by
26 additional and larger events occupying the facilities and spending
27 money on hotel rooms, restaurants, transportation, and other
28 hospitality-related services generating taxes and jobs; and

29 (c) The convention center will begin generating additional
30 revenues earlier, allowing the center to maintain current clients and
31 enabling timely loan repayment.

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

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

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

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

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

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

26 NEW SECTION. **Sec. 2.** A new section is added to chapter 36.100
27 RCW to read as follows:

28 (1) A public facilities district that has paid the taxes levied
29 by chapters 82.08 and 82.12 RCW on materials incorporated into, and
30 labor and services rendered in respect to, the construction or
31 expansion of an eligible public facility is eligible for deferral
32 from all or a portion of those taxes in the form of a remittance. The
33 total amount of a remittance that a public facilities district may
34 receive under this section is limited to thirty million dollars for
35 an eligible public facility. The remittance under this section is
36 only for the state portion of the sales and use taxes paid after July
37 1, 2020. A public facilities district must submit an application for
38 deferral of taxes to the department of revenue on or after July 1,
39 2020, and a signed affidavit stating that the public facility is

1 designed and constructed to be at least the LEED silver standard, as
2 defined in RCW 39.35D.020.

3 (2)(a) A public facilities district claiming the deferral in the
4 form of a remittance must pay the taxes imposed under chapters 82.08
5 and 82.12 RCW on such purchases eligible for the remittance. A public
6 facilities district must then apply to the department of revenue for
7 remittance of all or part of the tax paid under chapters 82.08 and
8 82.12 RCW on such purchases, subject to the limits in this section.

9 (b) As part of the application for remittance, a public
10 facilities district must submit, in the form and manner as prescribed
11 by the department of revenue:

12 (i) A listing of purchases and legible copies of invoices; and

13 (ii) A signed affidavit stating that the public facilities
14 district will not seek a refund of deferred taxes directly from the
15 vendor.

16 (c) The department of revenue must remit exempted amounts on a
17 monthly basis to a public facilities district for which an
18 application was approved during the previous month.

19 (3)(a) A public facilities district must begin repaying the
20 deferred taxes by December 31st of the third year after the
21 department of revenue certifies the public facility is operationally
22 complete or by December 31, 2025, whichever is sooner. Subsequent
23 annual payments are due on December 31st of each of the following
24 four years. Each payment must equal twenty percent of the deferred
25 tax, except in the event that the department of revenue is unable to
26 determine the actual amount of the deferred tax at least thirty days
27 before the first payment is due, the department of revenue must
28 invoice twenty percent of the maximum amount of tax eligible for
29 deferral. Subsequent payments will equal one-fourth of the remaining
30 amount of deferred tax. The department of revenue must assess
31 interest, but not penalties, on the deferred taxes. The interest must
32 be assessed at the rate provided for delinquent taxes under chapter
33 82.32 RCW, retroactively to the date the project was certified as
34 operationally complete or January 1, 2026, whichever is sooner, and
35 will accrue until the deferred taxes are repaid.

36 (b) Before the first payment is due under (a) of this subsection,
37 the public facilities district must provide to the department of
38 revenue certification from the department of enterprise services that
39 the facility has been constructed or renovated to at least the LEED
40 silver standard and is operationally completed. Failure to provide

1 this certification will result in a five million dollar penalty,
2 divided and due in equal amounts with each payment of deferred tax.

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

5 (5) The debt for deferred taxes is not extinguished by insolvency
6 or other failure of a public facilities district.

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

11 (7) The definitions in this subsection apply throughout this
12 section unless the context clearly requires otherwise.

13 (a) "Eligible public facility" means a public facility that is
14 designed and will be constructed to be at least the LEED silver
15 standard, as defined in RCW 39.35D.020.

16 (b) "Operationally complete" means that a public facilities
17 district convention center, including any new buildings, has
18 completed expansion and renovation construction and is hosting events
19 and generating revenue.

20 (c) "Public facility" means an existing public facilities
21 district convention center that is undergoing expansion or renovation
22 and is located in a county with a population of one million five
23 hundred thousand or more.

24 NEW SECTION. **Sec. 3.** The provisions of RCW 82.32.805(1)(a) do
25 not apply to this act.

26 NEW SECTION. **Sec. 4.** This act takes effect July 1, 2020."

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27 On page 1, line 2 of the title, after "centers;" strike the
28 remainder of the title and insert "adding a new section to chapter
29 36.100 RCW; creating new sections; prescribing penalties; and
30 providing an effective date."

EFFECT: Lowers the maximum amount of deferred state sales and use tax from \$45 million to \$30 million.

--- **END** ---