
Finance Committee

HB 2984

Brief Description: Concerning a sales and use tax deferral for performing arts centers.

Sponsors: Representatives Maxwell, Clibborn, Eddy, Goodman and Hunter.

Brief Summary of Bill

- Defers the payment of state and local sales and use taxes on the construction of a performing arts center located in a city with a population between 115,000 and 150,000.

Hearing Date: 1/29/10

Staff: Jeffrey Mitchell (786-7139).

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. Generally, a retail sale is the sale of property, products, or services to the final consumer or end user.

If retail sales taxes were not collected when the property, services, or digital products were acquired by the user and retail sales taxes would have otherwise applied, then use taxes apply to the value of most tangible personal property, digital products, and some services used in this state. Use tax rates are the same as retail sales tax rates.

The state sales and use tax rate is 6.5 percent. Local sales and use tax rates vary from 0.5 percent to 3.0 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

The Legislature has enacted several sales and use tax preferences in the form of sales and use tax deferrals for labor and materials related to the construction of various facilities. For example,

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the Legislature provided deferrals for the construction of Safeco Field, Qwest Field, and the second Narrows Bridge. Generally, sales and use taxes are deferred for five years after the facility becomes operationally complete and then 10 percent of the tax liability is due each year over a 10 year period. No interest is due on the deferral.

Summary of Bill:

A state and local sales and use tax deferral is provided for the construction of a performing arts center. To be eligible, the facility must be owned and operated by a nonprofit organization, used primarily as a performing arts center with a seating capacity of at least 1,700, and located in a city with a population between 115,000 and 150,000 at the time construction of the facility is initiated.

To receive the deferral, the governing board of the organization must apply and include information about the facility's location, the expected or actual costs of the facility, the time schedules for completion, and other information required by the Department of Revenue (DOR). The DOR must rule on the application within 60 days. Applications must be submitted by December 31, 2012.

Sales and use taxes eligible for deferral are taxes imposed on: labor and materials related to the construction of the facility, acquisition and installation of fixtures, and site preparation. The deferral only applies to taxable activity occurring on or after July 1, 2011.

Sales and use taxes must be repaid beginning in the fifth year after the facility is operationally complete. Ten percent of the tax liability is due each year then for 10 years. No interest is due on the deferral. The DOR may authorize an accelerated deferral at the request of the organization.

Applications and other information received by the DOR may be disclosed to the public.

Appropriation: None.

Fiscal Note: Requested on January 21, 2010.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.