

# HOUSE BILL REPORT

## HB 2144

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to tax deferrals for theme parks.

**Brief Description:** Providing tax deferrals for theme parks.

**Sponsors:** Representatives Kirby, Cairnes, Talcott, Fisher, Van Luven, Darneille and Morris.

**Brief History:**

**Committee Activity:**

Finance: 3/2/01, 3/8/01 [DPS].

**Brief Summary of Substitute Bill**

- Defers/exempts sales and use tax on development of new theme park.
- Requires a public hearing, advisory vote by city voters, and city council support before a theme park may receive a tax deferral/exemption.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

**Staff:** Rick Peterson (786-7150).

**Background:**

The sales tax is imposed on retail sales of most items of tangible personal property and some services. Use tax is imposed on the use of an item in this state, when the acquisition of the item or service has not been subject to sales tax. Taxable services include construction, repair, telephone, and some recreation and amusement services. The combined state and local sales and use tax rate is between 7 and 8.6 percent, depending on location.

There are several sales and use tax deferral/exemption incentives to encourage economic activity. These deferral/exemption programs cover the following: manufacturing, research and development, and computer related services businesses in rural counties; high technology research and development, and pilot scale manufacturing facilities; the new Narrows Bridge; a horse racing track; a baseball stadium; and a football stadium. The deferrals for the football stadium, baseball stadium, horse racing track, and new Narrows Bridge require payment of the tax after a deferral period. The rural manufacturing program and the high technology program do not require payment of the deferred tax as long as the facilities continue to be used for their original purpose.

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**Summary of Substitute Bill:**

A new sales and use tax deferral/exemption program is created for theme parks. The deferral/exemption covers the tax on construction of structures, site preparation, and related machinery and equipment that are an integral and necessary part of a theme park. A theme park is an entertainment facility that has a wide variety of activities and is designed around a particular subject or idea. An eligible theme park must be at least 80 acres in size and construction must begin after January 1, 2001, and before July 1, 2003. The sales and use tax is not repaid if the facility is used for a theme park for the 8 years after it is operationally complete. If the facility is no longer used as a theme park within the 8 year period, a proportionate amount of the deferred tax is repaid.

Before an application for deferral/exemption can be made a city legislative authority must hold a public hearing, hold an advisory vote by city voters, and adopt an ordinance in support before a theme park may receive a tax deferral/exemption.

**Substitute Bill Compared to Original Bill:**

The substitute bill adds the requirement for a public hearing, advisory vote by city voters, and city council support before a theme park may receive a tax deferral/exemption.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect on August 1, 2001.

**Testimony For:** The theme park will be a major attraction for the community, a great place for families to spend time together, and an economic gold mine for the area and the state. If the park isn't built, the state loses nothing. But if the park is built, then the state will collect \$95 million in state revenue in the first seven years. The park will

bring in new money from outside the state. They will spend money that would not come to Washington otherwise. Over one-quarter million overnight stays will be generated. These people will visit other attractions and restaurants in the area. The feasibility study shows that the park will generate 575 full-time equivalent jobs in the park and 3,300 additional jobs outside the park with a payroll of \$55.6 million. This bill adds to the tax base rather than subtracts. The bill will provide economic development for the Lakewood area. The city of Lakewood was the largest sales tax equalization city in the state. The park will provide seasonal jobs that will be available to college and high school students. The theme park will be complementary to the natural attractions of Washington. The theme park will be a catalyst for new business development. Three hot dimes are better than one cool quarter.

**Testimony Against:** The people of Lakewood want to vote on this project. Many citizens do not want the city of Lakewood to spend city money to change the character of the city without a public vote. The proposal is a risky proposal, it can't stand on its own financial feet, and it will fundamentally change Lakewood. There is tremendous risk to this project. Fifty percent of the cost is borne by the public. The total cost of the project is \$170 million. The proposed site is too small for a major theme park. The project must use the proposed rapid transit district parking facility. This is a misuse of public dollars. If this is such a good project it should be financed privately. The sunset and acreage limitations in the bill means that existing parks may not use the exemption. It is inappropriate to use public money to help establish a business which will compete with an existing private enterprise which has never received a public subsidy. This is inherently wrong when there are so many critical funding priorities for our region. The project may cost Lakewood money rather than paying it. No matter how many slices you cut the pie into, it doesn't make the pie any bigger.

**Testified:** (In support) Representative Kirby, prime sponsor; Tim Thompson; Mike Fallot, Great Northwest; Bill Harrison, Mayor of Lakewood; Casey Cochran, Tacoma Chamber of Commerce; Mark Matthews, Sheraton Hotel; Linda Smith, Lakewood Chamber of Commerce; Larry Archer, International Union of Operating Engineers; John Thompson, Pierce County Labor Council; Jay Meyer, Columbia Bank; Matthew Ridge; Charlie Maxwell; Mr. Simpson; John Julibuis, Fircrest City Council; and Maria Partlow, Great Northwest Development of Washington.

(Opposed) Pad Finnegan, Lakewood Cares; John Arbeeny, Lakewood Cares; Richard Chapman, Economic Development Council of Seattle; Delores Shull; and Elmer Arendt, Mobile Home Tenants Association.