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**Finance Committee**

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**HB 2134**

**Brief Description:** Providing a sales and use tax deferral for the construction of a historic automobile museum.

**Sponsors:** Representatives Conway, Roach, Lantz, Shabro, Kirby, Talcott, Kilmer, Darneille and McDonald.

**Brief Summary of Bill**

- Defers the payment of sales and use taxes on the construction of a historic automobile museum for five years, after which the deferred taxes are to be paid over the course of ten years.

**Hearing Date:** 3/1/05

**Staff:** Mark Matteson (786-7145).

**Background:**

*Retail sales and use tax.* The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The tax is levied at a 6.5 percent rate by the state. Cities and counties may levy a local tax at a rate up to a maximum of 3.1 percent. Currently, local rates levied range from 0.5 percent to 2.4 percent. Sales tax is paid by the purchaser and collected by the seller.

The use tax is imposed on taxable items and services used in the state that were not subject to the retail sales tax, and includes purchases made in other states and purchases from sellers who do not collect Washington sales tax. The state and local rates are the same as those imposed under the retail sales tax. Use tax is paid directly to the Department of Revenue (DO).

All items or services sold or acquired at retail are subject to the retail sales and use taxes unless specifically exempted otherwise. Tax is due at the time of sale or first use within the state.

*Sales Tax Deferrals.* The Legislature has enacted several sales and use tax preferences in the form of a deferral. One example is the deferral issued for the construction of the Seattle Mariners' stadium in Seattle. The Legislature authorized a deferral of sales and use taxes on the construction of buildings, site preparation, and the acquisition of related machinery and equipment for a baseball stadium with a retractable roof, upon application of the governing board of the public facility district responsible for the construction. Taxes were to be paid back starting in the fifth

year after the stadium became operational, in annual installments of 10 percent of the total tax liability, for ten years. No interest was to be paid on the tax liability.

*Historic Automobile Museum.* In August of 2002, the City of Tacoma provided for the use of eight acres of land adjacent to the Tacoma Dome for the purposes of constructing a historic car museum. The agreement was made with the Harold E. Lemay museum nonprofit organization. The organization is seeking to begin construction of a museum in 2006 and to begin museum operations in 2008.

**Summary of Bill:**

A deferral of sales and use taxes on the construction of buildings, site preparation, and the acquisition of related machinery and equipment is provided to a historic automobile museum that is a nonprofit organization. To receive the deferral, the governing board of the organization must apply and include information about the museum location, the expected or actual costs, the time schedules for completion, and other information required by the Department. The Department must rule on the application within 60 days.

Taxes must be repaid beginning in the fifth year after the museum is operationally complete. Ten percent of the tax liability is due each year then for ten years. No interest is due on the deferral. The Department may authorize an accelerated deferral at the request of the organization.

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

**Appropriation:** None.

**Fiscal Note:** Requested on February 23, 2005.

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