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**SENATE BILL 5166**

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**State of Washington 65th Legislature 2017 Regular Session**

**By** Senators Ericksen and Angel

AN ACT Relating to a sales tax exemption provided to state and local governments, public school districts, and public charter schools on construction when the funds were obtained from indebtedness; adding a new section to chapter 82.08 RCW; adding a new section to chapter 82.12 RCW; creating a new section; and providing an effective date.

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 tax preferences contained in sections 2 and 3 of this act. This performance statement is only intended to be used 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 these tax preferences as intended to provide tax relief by extending the purchasing power of funds for state and local public construction when such funds are acquired through indebtedness, as indicated by RCW 82.32.808(2)(e).

(3) The legislature's specific public policy goal is to reduce the cost of state and local public construction projects when such projects are funded through debt.

(4) If a review finds that the cost of state and local public construction projects declines after implementation of this act, then the legislature intends to extend the expiration date of the tax preference.

(5) In order to obtain the data necessary to perform the review in subsection (4) of this section, the joint legislative audit and review committee may refer to data provided by the Washington state treasurer, the department of transportation, and the office of the superintendent of public instruction.

NEW SECTION. **Sec.**  A new section is added to chapter 82.08 RCW to read as follows:

(1) The tax levied by RCW 82.08.020 does not apply to purchases, or portions of purchases, for construction projects administered by state or local governments, public school districts, or public charter schools, when the purchase is made with moneys acquired by state or local government, public school districts, or public charter schools from indebtedness.

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

(a) "Indebtedness" means all debt incurred by state or local government, public school districts, or public charter schools for a term greater than one year and does not include debt to other governments or governmental funds.

(b) "Portions of purchases" are those portions of a purchase that were made from indebtedness when the total purchase was made from multiple fund sources.

(3) The exemption under this section is available only when the buyer provides the seller with an exemption certificate in a form and manner prescribed by the department. The seller must retain a copy of the certificate for the seller's files.

NEW SECTION. **Sec.**  A new section is added to chapter 82.12 RCW to read as follows:

(1) The provisions of this chapter do not apply with respect to the use of any items used for construction projects administered by state or local governments, public school districts, or public charter schools, when the purchase is made with moneys acquired by state or local government, public school districts, or public charter schools from indebtedness.

(2) When the item used was acquired by purchase through multiple fund sources, only the amount that was purchased by moneys acquired from indebtedness qualify for the exemption under this section.

(3) For the purposes of this section, the definitions and requirements in section 2 of this act apply.

NEW SECTION. **Sec.**  This act takes effect October 1, 2017.

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