

Finance Committee

HB 2931

Brief Description: Providing a sales and use tax exemption for labor and services rendered related to and tangible personal property incorporated in a qualified community multipurpose arts and events facility.

Sponsors: Representative Tharinger.

<p>Brief Summary of Bill</p> <ul style="list-style-type: none"> • Authorizes a retail sales and use tax exemption for the construction of a qualified facility.

Hearing Date: 2/10/20

Staff: Tracey O'Brien (786-7152).

Background:

Retail Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use tax applies to the value of property, digital product, or service when used in this state. The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 3.9 percent, depending on the location.

Tax Preference Performance Statement.

State law provides for a range of tax preferences that confer reduced tax liability upon a designated class of taxpayer. Tax preferences include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. Currently, Washington has over 650 tax preferences, including a variety of sales and use tax exemptions. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee (JLARC) can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

An exemption is provided for retail sales and use taxes associated with the construction of a qualified facility.

The retail sales and use tax exemption applies to:

- Charges made for labor and services rendered for the construction of a qualified facility;
- Sales of tangible personal property that will be incorporated as an ingredient or component of such building during the course of constructing;
- Labor and services rendered to install, during the course of constructing, building fixtures not otherwise eligible for the exemption.

No application is required to claim the exemption; however, the buyer must provide the seller with an exemption certificate.

"Qualified facility" means a community multipurpose arts and events facility being built in a city with a population of less than 25,000 in a county with a population of less than 80,000 that contains a national park and national wildlife refuge.

This bill contains a tax preference performance statement, but is not subject to a JLARC review. The sales and use tax exemption expires January 1, 2025.

Appropriation: None.

Fiscal Note: Requested on February 8, 2020.

Effective Date: The bill contains an emergency clause and takes effect immediately.