
SUBSTITUTE HOUSE BILL 2032

State of Washington

66th Legislature

2020 Regular Session

By House Finance (originally sponsored by Representatives Tarleton, Morris, Ryu, Springer, and Macri)

READ FIRST TIME 02/11/20.

1 AN ACT Relating to providing a tax deferral for the expansion of
2 certain existing public facilities district convention centers;
3 adding a new section to chapter 36.100 RCW; creating new sections;
4 prescribing penalties; and providing an effective date.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** (1) This section is the tax preference
7 performance statement for the expanded tax deferral contained in
8 section 2, chapter . . ., Laws of 2020 (section 2 of this act). This
9 performance statement is intended to be used only for subsequent
10 evaluation of the tax preference. It is not intended to create a
11 private right of action by any party or be used to determine
12 eligibility for preferential tax treatment.

13 (2) The legislature categorizes this tax preference as intended
14 to provide tax relief for certain businesses or individuals, as
15 indicated in RCW 82.32.808(2)(e).

16 (3) It is the legislature's specific public policy objective to
17 ensure that plans to expand or renovate an existing public facilities
18 district convention center located in a county with a population of
19 one million five hundred thousand or more may proceed on schedule to
20 take advantage of attractive financing and construction costs.

1 (4) The legislature finds that the state derives certain economic
2 benefits from the earliest completion date for a convention center's
3 expansion or renovations to be in operation:

4 (a) The loan will be able to take advantage of low interest rates
5 available in the near term, reducing the total cost of loan
6 repayment;

7 (b) The state will realize additional tax benefits generated by
8 implementation and operation of the expanded or renovated center by
9 additional and larger events occupying the facilities and spending
10 money on hotel rooms, restaurants, transportation, and other
11 hospitality-related services generating taxes and jobs; and

12 (c) The convention center will begin generating additional
13 revenues earlier, allowing the center to maintain current clients and
14 enabling timely loan repayment.

15 (5) Therefore, in reviewing the success of this tax preference,
16 the joint legislative audit and review committee must assess:

17 (a) Whether the interest rate obtained on the loan was lower than
18 it would have been, if the loan was obtained twenty-four months
19 later;

20 (b) Whether construction costs at the time that meaningful
21 construction begins are lower than such costs would have been, if
22 meaningful construction began two years later; and

23 (c) Whether the expanded or renovated convention center generated
24 increased revenues, as measured three years after completion of an
25 expanded or renovated facility, and as compared to the center's
26 average revenues over the two-year period prior to such completion.

27 (6) For purposes of this section, "meaningful construction" means
28 an active construction site, where excavation of a building site,
29 laying of a building foundation, or other tangible signs of
30 construction are taking place, such that a progression in the
31 construction process is clearly demonstrated. Planning, permitting,
32 or land clearing before excavation of a building site, without more,
33 does not constitute meaningful construction.

34 (7) The joint legislative audit and review committee must conduct
35 an assessment to determine progress toward achieving economic
36 benefits by assessing revenues received and projected for the
37 expansion or renovation of the existing convention center, as
38 measured three years after an expansion or renovation of the existing
39 convention center commences operation.

1 NEW SECTION. **Sec. 2.** A new section is added to chapter 36.100

2 RCW to read as follows:

3 (1) A public facilities district that has paid the taxes levied
4 by chapters 82.08 and 82.12 RCW on materials incorporated into, and
5 labor and services rendered in respect to, the construction or
6 expansion of an eligible public facility is eligible for deferral
7 from all or a portion of those taxes in the form of a remittance. The
8 total amount of a remittance that a public facilities district may
9 receive under this section is limited to forty-five million dollars
10 for an eligible public facility. The remittance under this section is
11 only for the state portion of the sales and use taxes paid after July
12 1, 2020. A public facilities district must submit an application for
13 deferral of taxes to the department of revenue on or after July 1,
14 2020, and a signed affidavit stating that the public facility is
15 designed and constructed to be at least the LEED silver standard, as
16 defined in RCW 39.35D.020.

17 (2)(a) A public facilities district claiming the deferral in the
18 form of a remittance must pay the taxes imposed under chapters 82.08
19 and 82.12 RCW on such purchases eligible for the remittance. A public
20 facilities district must then apply to the department of revenue for
21 remittance of all or part of the tax paid under chapters 82.08 and
22 82.12 RCW on such purchases, subject to the limits in this section.

23 (b) As part of the application for remittance, a public
24 facilities district must submit, in the form and manner as prescribed
25 by the department of revenue:

26 (i) A listing of purchases and legible copies of invoices; and

27 (ii) A signed affidavit stating that the public facilities
28 district will not seek a refund of deferred taxes directly from the
29 vendor.

30 (c) The department of revenue must remit exempted amounts on a
31 monthly basis to a public facilities district for which an
32 application was approved during the previous month.

33 (3)(a) A public facilities district must begin repaying the
34 deferred taxes by December 31st of the third year after the
35 department of revenue certifies the public facility is operationally
36 complete or by December 31, 2025, whichever is sooner. Subsequent
37 annual payments are due on December 31st of each of the following
38 four years. Each payment must equal twenty percent of the deferred
39 tax, except in the event that the department of revenue is unable to
40 determine the actual amount of the deferred tax at least thirty days

1 before the first payment is due, the department of revenue must
2 invoice twenty percent of the maximum amount of tax eligible for
3 deferral. Subsequent payments will equal one-fourth of the remaining
4 amount of deferred tax. The department of revenue must assess
5 interest, but not penalties, on the deferred taxes. The interest must
6 be assessed at the rate provided for delinquent taxes under chapter
7 82.32 RCW, retroactively to the date the project was certified as
8 operationally complete or January 1, 2026, whichever is sooner, and
9 will accrue until the deferred taxes are repaid.

10 (b) Before the first payment is due under (a) of this subsection,
11 the public facilities district must provide to the department of
12 revenue certification from the department of enterprise services that
13 the facility has been constructed or renovated to at least the LEED
14 silver standard and is operationally completed. Failure to provide
15 this certification will result in a five million dollar penalty,
16 divided and due in equal amounts with each payment of deferred tax.

17 (4) The department of revenue may authorize an accelerated
18 repayment schedule upon request of a public facilities district.

19 (5) The debt for deferred taxes is not extinguished by insolvency
20 or other failure of a public facilities district.

21 (6) Applications and any other information received by the
22 department of revenue under this section are not confidential and are
23 subject to disclosure. Chapter 82.32 RCW applies to the
24 administration of this section.

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

27 (a) "Eligible public facility" means a public facility that is
28 designed and will be constructed to be at least the LEED silver
29 standard, as defined in RCW 39.35D.020.

30 (b) "Operationally complete" means that a public facilities
31 district convention center, including any new buildings, has
32 completed expansion and renovation construction and is hosting events
33 and generating revenue.

34 (c) "Public facility" means an existing public facilities
35 district convention center that is undergoing expansion or renovation
36 and is located in a county with a population of one million five
37 hundred thousand or more.

38 NEW SECTION. **Sec. 3.** The provisions of RCW 82.32.805(1)(a) do
39 not apply to this act.

1 NEW SECTION. **Sec. 4.** This act takes effect July 1, 2020.

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