

H. B. 3000

(By Delegate Upson)

[Introduced February 24, 2015; referred to the
Committee on Finance.]

**FISCAL
NOTE**

A BILL to amend the Code of West Virginia, 1931, as amended, by adding thereto a new article, designated §11-13DD-1, §11-13DD-2, §11-13DD-3, §11-13DD-4, §11-13DD-5, §11-13DD-6, §11-13DD-7, §11-13DD-8, §11-13DD-9 and §11-13DD-10, all relating to establishing a Hotel and Restaurant Renovation Tax Credit; legislative findings; defining terms; establishing credit amount; application for certification of project required; application fee required; use of credit to offset sales tax generated by project in excess of baseline sales tax amount; claiming the credit; authority to promulgate rules; and effective date.

Be it enacted by the Legislature of West Virginia:

That the Code of West Virginia, 1931, as amended, be amended by adding thereto a new article, designated §11-13DD-1, §11-13DD-2, §11-13DD-3, §11-13DD-4, §11-13DD-5, §11-13DD-6, §11-13DD-7, §11-13DD-8, §11-13DD-9 and §11-13DD-10, all to read as follows:

ARTICLE 13DD. HOTEL AND RESTAURANT RENOVATION TAX CREDIT ACT.

1 **§11-13DD-1. Short Title.**

2 This article may be cited as the "Hotel and Restaurant Renovation Tax Credit Act."

3 **§11-13DD-2. Legislative Findings.**

4 The Legislature finds that the growth and vibrancy of the West Virginia hospitality and
5 tourism industries are critical to our long-term economic health. Modernization and improvements
6 of physical restaurant and hotel assets drive economic growth, create jobs, spur neighborhood
7 revitalization and enhance the overall community experience for residents and guests. The private
8 sector is eager to renovate and modernize, but in the current economic environment, business-owners
9 are being forced to carefully prioritize spending. The Hotel and Restaurant Renovation Tax Credit
10 Act is a self-funded program to encourage capital investment in hotels and restaurants in West
11 Virginia which will allow West Virginia to be among the most competitive in the nation for
12 important economic development dollars.

13 **§11-13DD-3. Definitions.**

14 (a) General -- When used in this article or in the administration of this article, terms defined
15 in subsection (b) of this section have the meanings ascribed to them by this section unless a different
16 meaning is clearly required by either the context in which the term is used or by specific definition
17 in this article.

18 (b) Terms defined --

19 (1) "Actual project costs" means costs attributable to a hotel renovation project or a restaurant
20 renovation project that are incurred by a qualified applicant between the commencement and
21 completion dates of the project as certified to the Tax Commissioner pursuant to section six of this

1 article.

2 (2) "Baseline tax amount" means the average annual amount of consumers sales and service
3 tax remitted by eligible taxpayer on sales made at the location of a hotel renovation project or a
4 restaurant renovation project during the thirty-six month period immediately preceding
5 commencement of the project. The baseline tax amount shall be calculated using information
6 submitted to the Tax Commissioner in accordance with section seven of this article.

7 (3) "Commissioner" and "Tax Commissioner" are used interchangeably herein and mean the
8 Tax Commissioner of the State of West Virginia or his or her delegate.

9 (4) "Consumers sales and service tax" means the tax imposed by section three, article fifteen,
10 of this chapter.

11 (5) "Corporation" means any corporation, limited liability company, joint-stock company or
12 association and any business conducted by a trustee or trustees wherein interest or ownership is
13 evidenced by a certificate of interest or ownership or similar written instrument.

14 (6) "Delegate" in the phrase "or his or her delegate," when used in reference to the Tax
15 Commissioner, means any officer or employee of the State Tax Division of the Department of
16 Revenue duly authorized by the Tax Commissioner directly, or indirectly by one or more
17 redelegations of authority, to perform the functions mentioned or described in this article.

18 (7) "Eligible taxpayer" means any person that is subject to the tax imposed by article
19 twenty-three or article twenty-four of this chapter that owns and operates a hotel or restaurant. In the
20 case of a sole proprietorship subject to neither the tax imposed by article twenty-three nor the tax
21 imposed by article twenty-four, the term "eligible taxpayer" means any sole proprietor who is subject

1 to the tax imposed by article twenty-one of this chapter and who owns and operates a hotel or
2 restaurant.

3 (8) "Partnership" includes a syndicate, group, pool, joint venture or other unincorporated
4 organization through or by means of which any business, financial operation or venture is carried
5 on, and which is not a trust or estate, a corporation or a sole proprietorship. The term "partner"
6 includes a member in such a syndicate, group, pool, joint venture or other organization.

7 (9) "Person" includes any natural person, corporation, limited liability company or
8 partnership.

9 (10) "Hotel" means any privately-owned facility, building or buildings, in which the public
10 may, for a consideration, obtain sleeping accommodations. The term shall include, but not be limited
11 to, hotels, motels, inns, courts, boarding houses, condominiums, resorts, lodges, cabins and tourist
12 homes. The term "hotel" shall not be construed to include state, county and city parks offering
13 accommodations, any hospital, sanitarium, extended care facility, nursing home or university or
14 college housing unit.

15 (11) "Hotel renovation project" means the renovation, improvement, repair, or upgrade of
16 guest rooms, suites, or common areas of an existing hotel, including exterior upgrades to signage,
17 landscaping and facades, with a minimum cost of \$10,000 in expenditures for each guest room or
18 suite renovated and total project expenditures of at least \$2 million.

19 (12) "Project" means the renovation, improvement, repair, or upgrade of an existing hotel or
20 restaurant. The term does not include the construction of a new hotel or restaurant.

21 (13) "Qualified taxpayer" means an eligible taxpayer that has been issued a certification of

1 a hotel renovation project or a restaurant renovation project by the Tax Commissioner under section
2 six of this article.

3 (14) "Restaurant" means a public food service establishment, cafeteria, or snack bar, for the
4 purchase and consumption on the premises of food, beverages, or other products for human
5 consumption, and other similar facilities for the sale or providing of goods and services for the
6 purposes customarily offered in connection with the operation of any of the foregoing.

7 (15) "Restaurant renovation project" means the renovation, improvement, repair, or upgrade
8 of dining areas, restrooms, kitchens, or common areas of a restaurant, including upgrades to signage,
9 landscaping and façades, with a minimum cost of \$10,000 in expenditures for renovation,
10 improvement, repair or upgrade to one or more areas used primarily for food preparation and total
11 project expenditures of at least \$100,000.

12 **§11-13DD-4. Amount of credit allowed.**

13 (a) A qualified taxpayer that completes a hotel renovation project or a restaurant renovation
14 project and otherwise meets the requirements of this article shall be allowed a tax credit equal to
15 twenty percent of its actual project costs as determined in section six of this article.

16 (b) The aggregate amount of tax credit that a qualified taxpayer receives under this article
17 may not exceed the amount determined in subsection (a) of this section. Expansions, enlargements,
18 or additional investments made by a qualified taxpayer that are outside the scope of the project
19 certified pursuant to section five of this article shall not increase the tax credit.

20 **§11-13DD-5. Application for certification of project.**

21 (a) Application for certification required. -- An eligible taxpayer seeking a tax credit under

1 this article must submit a written application for certification of its proposed hotel renovation project
2 or proposed restaurant renovation project to the Tax Commissioner before commencement of the
3 project.

4 (b) Form of application. -- The application for certification must be filed in such form as the
5 Tax Commissioner prescribes and shall contain such information as the commissioner requires to
6 determine whether the project should be certified as eligible for credit under this article, including,
7 but not limited to:

8 (1) Plans for the proposed project and estimated project costs; and

9 (2) A detailed description of the proposed project, including estimated commencement and
10 completion dates.

11 (c) Application fee. -- A nonrefundable fee of \$250 shall be paid at the time the application
12 is filed which shall be used by the Tax Commissioner to toward the cost of administration of the
13 credit provided by this article.

14 (d) Project certification. -- The Tax Commissioner shall review each submitted application
15 for completeness and provide preliminary approval or disapproval within sixty days after receiving
16 the application. The Tax Commissioner shall issue a certification to each preliminarily approved
17 project that:

18 (1) Designates the applicant as a qualified taxpayer eligible to receive tax credits earned
19 pursuant to this article; and

20 (2) Specifies the project commencement date and completion date. The period between the
21 commencement date and completion date specified by the Tax Commissioner in the certification

1 may not exceed thirty-six months for a proposed hotel renovation project or twelve months for a
2 proposed restaurant renovation project.

3 (e) No credit is allowed under this article until the eligible taxpayer seeking the credit has
4 filed and has received certification of the proposed hotel renovation project or proposed restaurant
5 renovation project from the Tax Commissioner as provided in this section.

6 **§11-13DD-6. Documentation of actual project costs; certification by certified public**
7 **accountant.**

8 (a) Each qualified taxpayer shall, upon completion of a project, provide documentation to the
9 Tax Commissioner of the amount of actual project costs expended to complete the project. The costs
10 shall be certified by an independent certified public accountant licensed in this state at the expense
11 of the qualified applicant.

12 (b) The Tax Commissioner shall determine whether the actual project costs meet the
13 expenditure requirements of a hotel renovation project or of a restaurant renovation project as
14 defined in section three of this article. A qualified taxpayer that fails to meet the applicable
15 expenditure requirements provided shall not be entitled to receive the tax credit under this article.

16 **§11-13DD-7. Determination of baseline tax amount.**

17 Each qualified taxpayer shall, within sixty days after commencement of a hotel renovation
18 project or restaurant renovation project, submit documentation to the Tax Commissioner of the
19 amount of consumers sales and service taxes remitted to the State Tax Division of the West Virginia
20 Department of Revenue on sales made by taxpayer at the location of the project for the thirty-six
21 months immediately preceding commencement of the project. The information is subject to

1 verification by the Tax Commissioner.

2 **§11-13DD-8. Application of annual credit allowance.**

3 (a) In general. -- The maximum amount of credit allowable by this article shall not exceed
4 twenty percent of the actual project costs of qualified taxpayer's hotel renovation project or restaurant
5 renovation project.

6 (b) Annual credit allowance. -- Subject to the limitations set forth in subsection (a) of this
7 section, the amount of tax credit that may be used by a qualified taxpayer in any tax year shall not
8 exceed twenty-five percent of the amount by which taxpayer's consumers sales and service tax
9 imposed on sales at the location of the project, exceeds the baseline tax amount.

10 (c) Use of annual credit allowance. -- The qualified taxpayer may, beginning with the twelve
11 month tax period immediately following completion of a its project, use the amount determined
12 under subsection (b) of this section as a credit against consumers sales and services taxes required
13 to be remitted on taxpayer's monthly consumers sales and service tax returns, filed pursuant to
14 section sixteen, article fifteen, chapter eleven of this code. The tax credit may be used to offset
15 twenty-five percent of the tax required to be remitted with taxpayer's monthly consumers sales and
16 service tax returns on sales at the location of the completed project until such time as the full current
17 year's annual credit allowance has been claimed: *Provided*, That no credit may be claimed for the
18 tax year until taxpayer's consumers sales and service tax on sales at the location of the completed
19 project, exceeds the baseline tax amount. Once the total credit claimed for the tax year equals
20 taxpayer's annual credit allowance as determined under subsection (b) of this section, no further
21 reductions to taxpayer's monthly consumers sales and service tax returns will be permitted for the

1 tax year.

2 (d) Unused credit carryforward. -- If the credit allowed under this article in any taxable year
3 exceeds the sum of the taxes enumerated in subsection (c) of this section for that taxable year, the
4 qualified taxpayer may apply the excess as a credit against those taxes, for succeeding taxable years
5 until the earlier of the following:

6 (1) The full amount of the excess credit is used; or

7 (2) The expiration of the tenth taxable year after the taxable year in which the credit of the
8 project was first used.

9 **§11-13DD-9. Rules.**

10 The Tax Commissioner may promulgate such rules in accordance with article three, chapter
11 twenty-nine-a of this code as may be necessary or desirable to carry out the policy and purposes of
12 this article and to provide for the general administration of this article.

13 **§11-13DD-10. Effective date.**

14 The provisions of this article become effective on July 1, 2015, and apply only to applications
15 for certification filed on or after that date.

NOTE: The purpose of this bill is to create a hotel and restaurant renovation tax credit.
This article is new; therefore it has been completely underscored.