
Finance Committee

SSB 5568

Brief Description: Extending the date when counties east of the crest of the Cascade mountains that pledged lodging tax revenue for payment of bonds prior to June 26, 1975, must allow a credit for city lodging taxes.

Sponsors: Senate Committee on Agriculture & Rural Economic Development (originally sponsored by Senators Rasmussen, Clements, Shin, Schoesler, Jacobsen, Morton, Holmquist and Honeyford).

Brief Summary of Substitute Bill

- Extends the date when Yakima County has to allow a credit for city hotel-motel taxes.
- Authorizes Yakima County to use hotel-motel taxes for additional capital facilities.
- Requires Yakima County to perform an annual financial audit of organizations receiving hotel-motel tax proceeds.

Hearing Date: 4/6/07

Staff: Jeff Mitchell (786-7139).

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. The state tax is deposited in the State General Fund. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

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.

A "hotel-motel" tax is a special sales tax on lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. A local option hotel-motel tax was first authorized in 1967 for King County to build the Kingdome. The rate was 2 percent, but the tax was credited against the regular state sales tax which is imposed on lodging charges. Therefore, the total amount of tax paid by the consumer was not increased as a result of this tax. Authority to impose a hotel-motel tax was broadened, first in 1970 to include the cities of Tacoma and Spokane, and then in 1973 to include all municipalities (counties, cities, and towns) except some in King and Yakima Counties. The "double dip": generally, a county hotel-motel tax must allow a credit for the amount of a hotel-motel tax levied by a city within the county, thus preventing both the city and county from taxing the same lodging transaction. However, this credit requirement does not apply to a county that issued bonds before June 26, 1975, and pledged hotel-motel tax revenue for retirement of these bonds. King and Yakima Counties met this deadline. In addition, cities in those counties are prohibited from imposing a hotel-motel tax, unless the city also imposed the tax and pledged the revenues for bonds before the deadline. The cities of Bellevue and Yakima met this deadline. The 2 percent taxes imposed by these cities is credited against the state sales tax, as is the usual rule. However, King and Yakima Counties also impose 2 percent taxes county-wide, without granting a credit for city taxes as is required for other counties. These county taxes are also credited against the state sales tax. Thus, the state gives up 4 percent of the state sales tax on lodging rentals in these cities. This is known as the "double-dip."

The "double-dip" expires January 1, 2013. At that time, King and Yakima Counties must allow a credit for taxes imposed by cities, as do other counties.

Yakima County is authorized to use the tax for the payments of principal and interest on bonds or county-owned facilities for agricultural promotion.

Summary of Bill:

The date in which Yakima County must provide a credit for city hotel-motel taxes is extended to January 1, 2021. Beginning January 1, 2009, the purposes for which Yakima County may spend tax proceeds is expanded to include tourism-related facilities. Yakima County must also perform an annual financial audit of organizations receiving hotel-motel tax proceeds regarding the use of these proceeds.

Appropriation: None.

Fiscal Note: Available.

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