

HOUSE BILL REPORT

ESHB 2252

As Passed House:

March 12, 2009

Title: An act relating to sales and use taxes on car rentals, restaurants, and lodging to fund arts and heritage programs, regional centers, human services, low-income housing, and community development in a county with a population of one million five hundred thousand or more.

Brief Description: Funding for arts and heritage programs, regional centers, human services, low-income housing, and community development in a county with a population of one million five hundred thousand or more.

Sponsors: House Committee on Finance (originally sponsored by Representatives Hunter and Goodman).

Brief History:

Committee Activity:

Finance: 2/24/09, 3/2/09 [DPS].

Floor Activity

Passed House: 3/12/09, 54-42.

Brief Summary of Engrossed Substitute Bill

- Directs revenue from the following King County taxes into a dedicated account in King County: the 2 percent car rental tax, the 0.5 percent restaurant tax, the 2 percent state shared hotel-motel tax, and 75 percent of the 1 percent car rental tax.
- Requires money in the account to be used for regional centers, art and heritage programs, low income housing, community development, and human services.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, Santos and Springer.

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.

Minority Report: Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta.

Staff: Rick Peterson (786-7150)

Background:

A hotel-motel tax is a special sales tax on lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and other similar facilities. Cities and counties are authorized to levy a "basic" or "state-shared" hotel-motel tax of up to 2 percent. These taxes are credited against the state sales tax on the furnishing of lodging. Other hotel-motel taxes are imposed in addition to ordinary state and local sales taxes and are added to the amount paid by the customer. The latter type is often referred to as a "special" hotel-motel tax.

A county hotel-motel tax must allow a credit for the amount of any tax levied by the cities within the county, thus precluding both the city and county tax from applying to the same lodging transaction. Except for the City of Bellevue, cities in King County cannot impose a basic hotel-motel tax until January 1, 2021. Thereafter, cities may impose the tax and the county will only receive revenues generated in the unincorporated areas.

In King County the 2 percent state-shared hotel-motel tax is used for retiring the debt on the Kingdome, arts and heritage programs, and after 2015 (or earlier if the debt is repaid) for repaying the debt on the football stadium and exhibition center and for youth athletic facility grants to cities, counties, or nonprofit organizations if sufficient money is available.

In 1995 the Legislature authorized financing for a new baseball stadium in King County. The state's contribution included a credit against the state sales tax of 0.017 percent of taxable retail sales in King County, sports themed lottery revenues, and commemorative ballpark license plates. King County was authorized to impose a special 0.5 percent sales tax on food and beverages in King County restaurants, taverns, and bars; a 2 percent sales tax on car rentals in King County, and admission taxes at the new ballpark. The baseball team also contributed to the construction of the facility. The 0.017 percent sales tax credit, the 0.5 percent tax on restaurant meals, the lottery revenue, and the 2 percent car rental tax all end when construction bonds are paid.

All counties are authorized to impose a 1 percent car rental tax. The revenue from the 1 percent car rental tax may be used for public stadium facilities, and youth or amateur sports activities or facilities.

Summary of Engrossed Substitute Bill:

After current obligations to stadium debt are paid, revenue from the following King County taxes are directed into a dedicated account in King County: the 2 percent car rental tax, the 0.5 percent restaurant tax, the 2 percent state-shared hotel-motel tax, and 75 percent of the 1 percent car rental tax. Money in the account will be used for regional centers, art museums, cultural museums, heritage museums, heritage and preservation programs, the arts, performing arts, low income housing, community development, and human services. The 0.5 percent restaurant tax ends in December 2015.

Money in the account is allocated as follows:

Art/Heritage programs:

8 percent of total from 2013 through 2015,
33 percent of total from 2016 through 2020, and
22 percent of total in 2021 and after.

Regional Centers:

2.5 percent of total from 2013 through 2015,
10 percent of total from 2016 through 2020, and
25 percent of total in 2021 and after.

Reserve Account:

20 percent in 2013,
28 percent in 2014, and
35 percent in 2015.

For deposit in the To the Community Preservation and Development Authority Fund:

\$1 million in 2012,
\$2 million in 2013, and
\$3 million in 2014 and after.

For distribution to nonprofit organizations or public housing authorities for affordable workforce housing near or at transit stations:

\$8 million per year from 2012 through 2020, and
the remainder of the fund in 2021 and after.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

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

Staff Summary of Public Testimony:

(In support) This bill addresses the revenue streams funding the large stadium projects in King County. The state contributions to these projects will end when the current commitments are finished. The state's sales tax and lottery contributions will return to the state to help fund education. The King County arts and heritage program is very effective and wildly popular. It supports hundreds of organizations and involves thousands of people. The use of these funds for the replacement of perfectly functional stadiums has only resulted in a tax subsidy for well funded professional sports teams, and the funds need to be used for more important things. By passing this bill the Legislature will have gotten the honey pot away from the bears. The bill includes projects like the creation of a performing arts/cultural/conference center in Federal Way. This center will be a major catalyst for the redevelopment of the downtown, and will transform the central core of the city.

(Opposed) None.

Persons Testifying: Representative Hunter, prime sponsor; Paul Toliver, Earshot Jazz; Chris Van Dyke, Citizens for More Important Things; Jeanne Burbidge, City of Federal Way; and Joann Piquette, Federal Way Coalition of the Performing Arts.

Persons Signed In To Testify But Not Testifying: None.