

# HOUSE BILL REPORT

## HB 1436

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### As Amended by Senate

**Title:** An act relating to the special excise tax on lodging.

**Brief Description:** Supplementing emergency services resulting from the impact of tourism in small communities.

**Sponsors:** By Representatives Dyer and B. Thomas.

**Brief History:**

**Committee Activity:**

Finance: 2/7/95, 2/21/95 [DP].

**Floor Activity:**

Passed House: 3/13/95, 79-17.

Senate Amended.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 12 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

**Staff:** Bob Longman (786-7139).

**Background:** A special sales tax on hotel/motel room rentals was first authorized in 1967 for King County to build the Kingdome. The rate was 2 percent, and was levied on the rental of hotel and motel rooms throughout the county. The Legislature allowed the tax to be credited against the state sales tax rate. The 1973 Legislature extended this taxing authority to all cities and counties, and expanded the uses to include convention centers as well as sports facilities. At this time, both the county and city taxes could be credited against the state sales tax. This meant, at least theoretically, that the two local hotel/motel taxes of 4 percent could be credited against the then 4.5 percent state sales tax.

In 1975, the Legislature required the city tax be credited against the county tax and so limited the amount credited against the state sales tax to 2 percent. The Legislature also exempted King County from the credit requirement and prohibited cities in King County from using the tax until the Kingdome bonds are paid off. Since the City of

Bellevue had already levied the tax and pledged the proceeds for payment of debt, an exception was made for Bellevue. No other city in King County imposes the basic hotel/motel tax.

To finance the State Convention Center the state imposes hotel/motel sales taxes in Seattle, at a rate of 7 percent, and the remainder of King County, at a rate of 2.8 percent. The law creating this tax prevents any city or town within King County from imposing a hotel/motel tax. An exception to this law allows the City of Bellevue to impose a 3 percent tax to support a convention center. These convention center taxes are not credited against the state sales tax.

In recent years, the Legislature has authorized additional state and local option hotel/motel taxes and has significantly expanded the uses of revenues. The newer local option taxes are not credited against the state sales tax rate. None of these special hotel/motel taxes are allowed in King County.

**Summary of Bill:** A city or town with population of less than 2,000 that is located in a county with population over 1,000,000 may impose a 2 percent hotel/motel tax on facilities with over 40 lodging units. The proceeds of the tax may only be used to mitigate the impacts of tourism or flooding.

**EFFECT OF SENATE AMENDMENT(S):**

**The new tax cannot be credited against the state sales tax.**

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This tax is a good use for small communities which do not have the resources to afford increased needs for emergency services during tourist season.

**Testimony Against:** None.

**Testified:** Representative Phil Dyer, prime sponsor.

**Votes on Final Passage:**

Yeas 79; Nays 17; Excused 2

Nays: Chopp, Cody, Cole, Conway, Dickerson, R. Fisher, Hargrove, Mason, Regala, Romero, Rust, Sommers, Thibaudeau, Tokuda, Valle, Veloria, Wolfe

Excused: Blanton, Ogden