

HOUSE BILL REPORT

SSB 5551

As Reported By House Committee On:
Finance

Title: An act relating to the excise taxation of lodging.

Brief Description: Authorizing special taxation of lodging.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Sellar and Snyder).

Brief History:

Committee Activity:

Finance: 3/23/95, 4/3/95 [DPA].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. 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. This taxing authority has since been extended to all counties and most cities. The allowed uses of hotel-motel tax revenue have been expanded to include construction and operation of stadiums, convention center facilities, performing arts facilities, visual arts center facilities, and the promotion of tourism. Some jurisdictions have special authorizations to use the revenue for particular purposes, such as tall ship tourist attractions, ocean beach boardwalks, and public restrooms.

The basic hotel-motel tax is a credit against the state sales taxes that are imposed on hotel-motel room rental charges. Therefore, the total amount of tax paid by the consumer is not increased as a result of the basic hotel-motel 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. Therefore, these

taxes increase the total amount of tax paid by the consumer. The rates of the additional taxes are either 2 percent or 3 percent. Bellevue, Pierce County and its cities, certain cities and counties bordering the Pacific Ocean, and Yakima County and its cities have this additional taxing authority for a variety of purposes.

Summary of Amended Bill: Additional hotel-motel taxes are authorized as follows:

In a county east of the crest of the Cascade mountains with a population of at least 55,000 but less than 62,000, a city with a population of at least 3,000 but less than 4,000 and a city with a population of at least 1,800 but less than 2,500 may impose taxes not to exceed 3 percent. Revenues from these taxes shall only be used for tourism promotion. Based on current populations, Chelan and Leavenworth are eligible to impose these taxes.

In a county east of the crest of the Cascade mountains with a population of at least 55,000 but less than 62,000, a city with a population of at least 22,000 but less than 28,000 may impose a tax not to exceed 2 percent. Revenues from this tax shall only be used for tourism promotion, and for the design, expansion, and construction of public facilities related to tourism promotion. Based on current population, Wenatchee is eligible to impose this tax.

In a county east of the crest of the Cascade mountains with a population of at least 28,000 but less than 33,000, a city with a population of at least 3,000 but less than 6,000 may impose a tax under this section not to exceed 2 percent. Revenues from this tax shall only be used for tourism promotion, and for the design, expansion, and construction of public facilities related to tourism promotion. Based on current population, East Wenatchee is eligible to impose this tax.

Amended Bill Compared to Substitute Bill: The amended bill adds additional population criteria. Under the original bill, only Chelan was eligible to impose an additional hotel-motel tax.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on April 4, 1995.

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

Testimony For: The Chelan area, like many other resort areas, has a difficult time extending their tourist season. The Chelan community is willing to impose the tax on themselves. Revenue from this tax will help offset the damage caused to tourism by last year's forest fires. The city does not plan to impose the tax at the 3 percent

level, but wants to have authority at this level so that another bill is not needed in the future.

Testimony Against: None.

Testified: Senator George Sellar, prime sponsor.