

HOUSE BILL REPORT

ESSB 5901

As Reported By House Committee On:

Finance

Title: An act relating to authorized uses for the proceeds of the special excise tax on lodging imposed by counties and cities.

Brief Description: Clarifying the authorized uses of the special excise tax on lodging.

Sponsors: Senate Committee on Government Operations (originally sponsored by Senators Spanel, Haugen and Rasmussen).

Brief History:

Committee Activity:

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

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 10 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Schoesler and Van Luven.

Minority Report: Without recommendation. Signed by 2 members: Representatives Pennington and Sheldon.

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 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.

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. One of these particular purposes applies to cities with populations of at least 1,000 located on one of the San Juan Islands and the county within which such a city is located. Such a city or county may use the tax to provide for publicly owned facilities for an annual county fair that lasts no longer than seven days or to mitigate the impacts of tourism.

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: For cities located on the San Juan Islands and the county in which they are located, the mitigation of tourism is defined to include various facilities for the use of tourists.

For a city within a county made up entirely of islands, or a city bordering on the Skagit River with a population of not less than 20,000, hotel-motel tax revenues may be used for the acquisition, construction or operation of publicly-owned tourist promotional infrastructures, structures and buildings. The examples of such infrastructures are expanded from ocean beach boardwalks to include public docks and viewing towers. Currently, the cities of Coupeville, Langely, Oak Harbor, Friday Harbor, and Mount Vernon meet these population and location criteria.

The authority to use the special hotel/motel excise tax fund is also expanded to any city or county for the purpose of funding a civic festival under certain circumstances.

Amended Bill Compared to Engrossed Substitute Bill: The amendment changes an eligibility criterion from a city wholly located on an island to a city within a county made up entirely of islands.

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: Local jurisdictions need authorization to share in accomplishing the purposes of the hotel/motel tax. Several of the bills dealing with this issue were combined and worked out with various communities.

Testimony Against: None.

Testified: Senator Mary Margaret Haugen, prime sponsor; Representative Barney Beeksma (prime sponsor companion measure, HB 1669); Becky Bogard, Washington Hotel & Motel Association and Washington Association of Convention & Visitors Bureau (pro with amendment); and Sandra Ward, Kitsap Peninsula Visitor Convention Bureau (pro with amendment).