

HOUSE BILL REPORT

ESSB 6241

As Reported By House Committee On:

Finance

Title: An act relating to hotel and motel taxes in certain cities and towns.

Brief Description: Allowing certain cities and towns to maintain lodging taxes for tourism promotion and convention facilities.

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

Brief History:

Committee Activity:

Finance: 2/21/96, 2/26/96 [DPA].

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass as amended. Signed by 11 members: Representatives B. Thomas, Chairman; Carrell, Vice Chairman; Boldt, Vice Chairman; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Bob Longman (786-7139).

Background: The "hotel-motel" tax is a special sales tax on short-term lodgings provided by hotels, motels, rooming houses, trailer camps, and similar facilities. A local-option hotel-motel tax 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.

All counties and most cities are authorized to levy up to a 2 percent hotel-motel tax, known as the "state-shared" or "basic" hotel-motel tax. The city tax is credited against the county hotel-motel tax and both the city and county taxes are credited against the state sales tax. Therefore, the total amount of tax paid by the consumer is not increased because of the state-shared hotel-motel tax.

The allowed uses of hotel-motel tax revenue have been expanded over the years to include construction and operation of stadiums, convention center facilities, performing arts facilities, visual arts center facilities, and promoting 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.

In recent years, the Legislature has authorized additional state and local option hotel-motel taxes and has significantly expanded the uses of subsequent revenues. These local-option taxes are not credited against the state sales tax. Therefore, these taxes increase the total amount of tax paid by the consumer.

Summary of Amended Bill: Any city may use revenue from the state-shared hotel-motel tax for street banners to attract and welcome tourists. Any city or county may use revenue from the state-shared hotel-motel tax for refurbishing and operating of historic passenger ferries.

The legislative body of any town with a population of at least 325, but less than 550, in a county that borders the northeastern slope of the Cascade mountains with a population of at least 36,000, but less than 42,000, may impose a 3 percent hotel-motel tax for the purpose of funding tourism promotion. The 3 percent hotel-motel tax is in addition to state and local sales taxes. Based on current population, the town of Winthrop is eligible to impose this tax.

A city with a population between 45,000 and 60,000, in a county with a population between 100,000 and 145,000, may impose a 2 percent hotel-motel tax for the purpose of constructing and operating a convention center. The 2 percent hotel-motel tax is in addition to state and local sales taxes. Based on current population, the city of Kennewick is eligible to impose this tax.

A city with a population between 500 and 1,000, in a county with a population between 80,000 and 115,000, may impose a 2 percent hotel-motel tax for the purpose of constructing and operating a performing and visual arts center. Based on current population, the city of La Conner is eligible to impose this tax.

Amended Bill Compared to Engrossed Substitute Bill: The original bill restricted the use of street banners to one city, Kelso. The original bill did not include authorization to use revenue for historic passenger ferries.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Local jurisdictions need these taxes to fund important projects. The specific taxes authorized in this bill are supported by people in the jurisdictions that

will impose the taxes. The statutes must provide specific statements of allowed revenue uses to overcome concerns expressed by county prosecutors, city attorneys, and state auditors.

Testimony Against: None.

Testified: Senator George Sellar, prime sponsor; Judy O'Neill, city of Kelso Chamber of Commerce; and Becky Bogard, Washington State Hotel and Motel Association.