

# SENATE BILL REPORT

## SB 5914

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As Reported By Senate Committee On:  
Ways & Means, March 6, 1995

**Title:** An act relating to financing of public stadium, convention, performing arts, visual arts, and other tourism facilities.

**Brief Description:** Providing for financing of public stadium, convention, performing arts, visual arts, and other tourism facilities.

**Sponsors:** Senators Prentice, Heavey, Deccio and Finkbeiner.

**Brief History:**

**Committee Activity:** Ways & Means: 2/23/95, 3/6/95 [DPS].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5914 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rinehart, Chair; Loveland, Vice Chair; Bauer, Drew, Finkbeiner, Fraser, Gaspard, Hargrove, Pelz, Sheldon, Snyder, Spanel and Wojahn.

**Staff:** Terry Wilson (786-7715)

**Background:** Business and Occupation (B&O) Taxes. The B&O tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are no deductions for the costs of doing business.

Sales and Use Taxes. The sales tax is paid on each retail sale of most articles of tangible personal property and certain services. Taxable services include construction, repair, telephone, lodging of less than 30 days, physical fitness, and some recreation and amusement services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

Admissions Taxes. Cities and counties may impose a tax of up to 5 percent on admissions to events except elementary and secondary school events. The county tax may not apply within cities that impose the tax.

Sales and Use Tax Equalization. The state imposes an excise tax for the privilege of using a motor vehicle in this state. The tax is levied annually on the value of the motor vehicle at the rate of 2.2 percent. The value against which the tax rate is applied is the Manufacturer's Suggested Retail Price, reduced each year according to a statutory schedule. The tax is in lieu of personal property taxes on motor vehicles. The tax does not apply to rental cars which instead are subject to an additional sales tax on each rental. A portion

consisting of 1.6 percent of the basic 2 percent rate is deposited in the county sales and use tax equalization account. Money is distributed from this account to counties to bring the sales tax yield of all counties up to 70 percent of the statewide average. Funds remaining in the account after this distribution are transferred to the state general fund. The amount transferred to the general fund in 1994 was \$4.2 million.

Hotel/Motel Taxes. Every city and county is authorized to impose a tax on lodging (hotel/motel) of up to 2 percent to finance a variety of facilities and programs, including the construction and operation of stadiums, convention center facilities, performing arts facilities, and visual arts center facilities and to promote tourism. This tax is a credit against the state sales tax that is imposed on hotel/motel room rental charges. Except for the cities of Bellevue and Yakima, any city tax must be credited against the county tax. In King and Yakima counties, no other cities may impose the basic 2 percent tax while the county is imposing the tax. Beginning in 2013, King and Yakima counties cannot preclude cities from imposing the tax (which is credited against the county tax).

King County hotel/motel tax revenues in excess of \$5.3 million per year are to be used until 2013 for the arts, for stadium capital improvements, including youth sports facilities, and for tourism.

In addition to the general hotel/motel tax authorization, specific taxes are authorized for various cities and counties for various purposes. These taxes are in addition to state and local sales taxes.

**Summary of Substitute Bill:** For the purposes of funding stadium facilities, convention center facilities, performing arts center facilities, and visual arts center facilities, a county may impose county-wide an additional sales and use tax of up to 0.1 percent, an additional hotel/motel tax of up to 2.0 percent, and an additional admissions tax of up to 5.0 percent. None of these taxes may be imposed unless first approved by the voters.

**Substitute Bill Compared to Original Bill:** The original bill provided the following:

Tax Refunds and Credits. Any county with a population of one million or more is entitled to a refund of B&O, sales, and use taxes paid, and a credit against taxes not paid, on the repair between July 1, 1994, and the effective date of this act of a county-owned stadium seating 45,000 or more.

County Sales and Use Tax Equalization. Excess revenues in the county sales and use tax equalization account are distributed to the counties ratably based on population instead of reverting to the state general fund.

Admissions Tax. A county with a population of one million or more may collect a 3 percent tax on admissions to events in county-owned stadiums seating over 45,000 to be used for repairs, maintenance, and improvements of the stadium. Elementary and secondary school activities are exempt.

Hotel/Motel Taxes. Beginning January 1, 2000, cities in counties with a current population over one million may levy the basic 2 percent hotel/motel tax that is credited against the state

sales tax. The requirement that city taxes be allowed as a credit against the county tax in counties with a population of one million or more is removed.

Between January 1, 2000, and December 31, 2020, an additional 1 percent hotel/motel tax may be imposed by a county with a population of one million or more. This tax is credited against the state sales tax.

**Appropriation:** None.

**Fiscal Note:** Requested on February 14, 1995.

**Effective date:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** The Kingdome generates \$15 million per year in state tax revenues. The Kingdome is an economic engine for the entire state. It generates \$200 million per year in new spending. The NCAA Final 4 will generate \$31 million in new spending. Revenues from the Kingdome barely cover the expenses of operation. The repairs were a lot more costly than originally expected. King County needs \$6.5 million per year to pay for bonds for the repairs. This bill is needed because the moneys have already been spent.

**Testimony Against:** The tax on admissions is unfair. The Seahawks are already paying a lot of taxes on the Kingdome. There is no new benefit. This is just a rent increase. The Seahawks should not have to pay for the county's negligence. This is a 60 percent increase in admissions taxes and a 41 percent total tax increase. The tax cannot be passed along to fans because the pricing is already set for the year. The Mariners cost the county \$9,000 each day they play, but the Seahawks add \$144,000 to the county each day they play. If the market will bear a price increase, the increase should go to the Seahawks.

**Testified:** Gary Locke, King County Executive (pro); Ann Kawasaki, King County Stadium Manager (pro); Mickey Loomis, Seattle Seahawks (con); Mayor Don Davidson, City of Bellevue (pro); John Plymyer, Bellevue Convention Center Authority (pro).