

# SENATE BILL REPORT

## SB 5867

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As Reported By Senate Committee On:  
Government Operations, March 4, 1997

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

**Brief Description:** Allowing special excise taxes in certain cities and towns for tourism promotion.

**Sponsors:** Senators Sellar, Hale and Kohl.

**Brief History:**

**Committee Activity:** Government Operations: 2/27/97, 3/4/97 [DPS].

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### SENATE COMMITTEE ON GOVERNMENT OPERATIONS

**Majority Report:** That Substitute Senate Bill No. 5867 be substituted therefor, and the substitute bill do pass.

Signed by Senators McCaslin, Chair; Hale, Vice Chair; Haugen, Horn, Patterson and Swanson.

**Staff:** Diane Smith (786-7410)

**Background:** The basic 2 percent 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 first hotel-motel tax was authorized in 1967 for King County to build the Kingdome. The rate was 2 percent, and was levied on sales of lodging by hotels, rooming houses, tourist courts, motels, and trailer camps 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. The uses have since been expanded to provide financing for a variety of facilities and programs, including the construction and operation of stadiums, convention center facilities, performing arts facilities, visual arts center facilities, and promoting tourism.

In recent years, the Legislature has authorized additional state and local option hotel-motel taxes and has expanded the allowed 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.

Among the specifically allowed uses of hotel-motel tax revenue is the funding of special events or festivals or promotional infrastructures including but not limited to an ocean beach boardwalk. This authority applied only to cities bordering on the Pacific Ocean or on Baker

Bay with a population of not less than 800 and the county in which such a city is located. Various other uses in specific circumstances also are allowed.

**Summary of Substitute Bill:** An additional 3 percent hotel-motel tax can be levied by a town with a population between 1,000 and 1,400 that is in a county composed entirely of islands or that is east of the Cascade mountains and whose boundaries lie in three counties. The tax is not deducted from the retail sales tax and may be levied only for tourism promotion.

A city fitting this description is Coulee Dam.

**Substitute Bill Compared to Original Bill:** The substitute bill includes qualifying cities in counties composed entirely of islands.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** The city government has to authorize this tax before it goes into effect.

**Testimony Against:** None.

**Testified:** Senator Sellar, prime sponsor (pro).