

SENATE BILL REPORT

SB 6451

As Passed Senate, February 9, 1998

Title: An act relating to resolving conflicts in lodging tax statutes enacted in 1997.

Brief Description: Resolving conflicts in lodging tax statutes enacted in 1997.

Sponsors: Senators Deccio, Snyder, West, Hale, Winsley, Sellar, Anderson, Horn and Schow; by request of Governor Locke.

Brief History:

Committee Activity: Government Operations: 1/27/98 [DP].
Passed Senate, 2/9/98, 49-0.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS

Majority Report: Do pass.

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

Staff: Diane Smith (786-7410)

Background: During the 1997 session, the Legislature passed SSB 5867 intending to replace the basic- and special- hotel/motel taxes with a uniform lodging tax of 4 percent. Combined with other taxes on sales of lodging, the total rate was not to exceed 12 percent, except in jurisdictions where the rate was already higher on January 1, 1998. SSB 5867 also liberalized how tax revenues can be used, but required creation of lodging tax advisory committees in cities with populations of 5,000 or more.

The Governor vetoed two sections of SSB 5867 because of perceived conflicts with the football stadium bill. The veto moved the effective date from April 1, 1998 to July 27, 1997 and restored the authority of cities and counties to impose the basic 2 percent tax. The veto of the two sections of the complex bill also had unintended consequences.

The unforeseen effects were to leave the authority to impose the basic- 2 percent tax intact, provide authority to levy an additional tax of 4 percent with some restrictions, to remove the authority of Bellevue and the city of Yakima to credit their taxes against the state tax and reduce their rate authority. The cities of Wenatchee and East Wenatchee imposed the new 4 percent hotel/motel tax in addition to the restored basic- 2 percent tax, for a total of 6 percent.

The authority for several cities and counties to impose taxes was reduced, and the authority of other cities and counties was expanded beyond the authority granted by the bill before the vetoes. In two separate actions, the Thurston County Superior Court enjoined enforcement of the new bill with respect to the cities of Bellevue, Yakima, Ocean Shores, Tacoma, Westport, Fife, and Lakewood until May 15, 1998. The authority for other cities, including

Buckley, Eatonville, and Puyallup was reduced on July 27, 1998. There was also some confusion about the advisory committee's authority over the basic- tax.

Summary of Bill: The 2 percent basic- tax restored by the football stadium bill is retained while the 4 percent uniform tax from SSB 5867 is reduced to 2 percent. A grandfather clause allows cities and counties to maintain the higher rates permitted before the effective date of the vetoed SSB 5867. The ability of King County and Bellevue and Yakima County and Yakima to credit both the county- and city-imposed hotel/motel taxes against the state sales tax is restored. Wenatchee and East Wenatchee may continue to impose the 6 percent tax rate. The advisory committee's authority over the basic- tax is clarified. The advisory committee's requirements apply to the basic- tax only if the tax or use of the tax revenues is changed. Municipal actions valid under SSB 5867 as passed by the Legislature are validated retroactive to July 27, 1997.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: This bill resolves all the problems caused by the partial veto and settles the pending law suits.

Testimony Against: None.

Testified: PRO: Jackie White, Bob Mack, Cities of Bellevue, Yakima, Tacoma; Ron Rosenbloom, AWC; Becky Bogard, WSHMA.