

# HOUSE BILL REPORT

## SB 6638

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### As Passed House:

March 12, 2008

**Title:** An act relating to reallocation of existing lodging taxes for support of heritage and arts programs in a county with a population of one million or more.

**Brief Description:** Reallocating existing lodging taxes for heritage and arts programs in a county with a population of one million or more.

**Sponsors:** By Senators Murray, Roach, McAuliffe, Kohl-Welles, Fairley, Kline, Kauffman, Jacobsen, Eide and Pflug.

### Brief History:

#### Committee Activity:

Finance: 2/22/08, 3/3/08 [DP].

#### Floor Activity:

Passed House: 3/12/08, 67-30.

### Brief Summary of Bill

- Shifts hotel-motel tax revenues currently deposited in a permanent and irreducible arts and heritage program endowment fund into a special arts and heritage program account and allows its principal to be available for expenditure.
- Directs all revenues from the hotel motel tax in King County to arts and heritage programs from the time the Kingdome bonds are retired through December 31, 2015.
- Directs at least 37.5 percent of hotel-motel revenues in King County to arts and heritage programs beginning January 1, 2021.
- Prohibits cities in King County from imposing the hotel-motel tax.

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## HOUSE COMMITTEE ON FINANCE

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Majority Report:** Do pass. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, McIntire and Santos.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Roach.

**Staff:** Jeff Mitchell (786-7139).

**Background:**

A hotel-motel tax is a special sales tax on lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. Cities and counties are authorized to levy a basic, or "state-shared," hotel-motel tax of up to 2 percent. These taxes are credited against the state sales tax on the furnishing of lodging. Other hotel-motel taxes are imposed in addition to ordinary state and local sales taxes and are added to the amount paid by the customer. The latter type are often referred to as "special" hotel-motel taxes.

Beginning in 1989, the hotel-motel tax in King County not only applied to servicing the debt on the Kingdome, but a portion of the tax revenues above \$5.3 million per year was dedicated to arts and heritage programs in King County. Currently, 70 percent of the excess revenue is dedicated to the arts and heritage programs; however, 40 percent of the arts revenue is for the arts endowment fund, of which the principal cannot be touched. The remaining 30 percent of the revenue in excess of \$5.3 million is dedicated first to retiring the Kingdome debt, then to acquisition of open space lands, youth sports activities, and tourism promotion. This is to continue until the Kingdome debt is retired, then the full portion of the local hotel-motel tax in King County is dedicated to retiring the debt on Qwest Field. Beginning in 2012, the only known source of funding for the arts and heritage programs in King County is the earnings of the arts endowment.

Cities within King County are prohibited from imposing the hotel-motel tax. The only exception to this "freeze-out" is Bellevue. This restriction is set to expire on January 1, 2021.

**Summary of Bill:**

The 40 percent distributions of arts and heritage funds from the hotel-motel tax is no longer distributed to the endowment fund, but instead is distributed to an account dedicated to art museums, cultural museums, heritage museums, and heritage and preservation programs.

At the time the bonds used to pay for the repairs to the Kingdome are retired, the King County hotel-motel tax will be distributed into the account dedicated to the arts and heritage programs until December 31, 2015. The bonds are expected to be retired in late 2014.

Beginning January 1, 2021, at least 37.5 percent of the county hotel-motel tax revenues will be distributed to the account dedicated to the arts and heritage programs.

The January 1, 2021, expiration date for the "freeze out" which prohibits other cities from imposing the hotel-motel tax, is eliminated. Therefore, Bellevue would continue to be the only city in King County that can impose the tax.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect July 1, 2008.

**Staff Summary of Public Testimony:**

(In support) Arts and heritage programs are an important economic development tool in King County. Seventy-five percent of program funding will disappear. Arts and heritage groups have used lodging taxes since 1990. Over 250 groups serve the county. The work that these arts and heritage groups perform is amazing and has been transforming. The annual grants and awards to arts and heritage are actually investments in the community and our quality of life. The funding for arts and heritage programs is going to fall off a cliff in the near future. All of the lodging tax will be redirected to pay off the Kingdome bonds and Qwest Field. The endowment the Legislature has set up will fall woefully short. The funding tragedy for arts and heritage can be saved by restructuring the endowment and reallocating a third of the lodging tax that becomes available. Even if this bill passes, resources will be stretched, but we can still maintain and sustain viable programs that make our communities culturally rich.

(Opposed) None.

**Persons Testifying:** Senator Murray, prime sponsor; and Margaret Lowe, 4Culture.

**Persons Signed In To Testify But Not Testifying:** None.