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**Finance Committee**

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**HB 2051**

**Brief Description:** Removing an expiration date applicable to heritage and arts program funding.

**Sponsors:** Representatives Hunter, Priest, Sullivan, Pettigrew, Springer, Clibborn, Anderson, Ericks, Pedersen, Roach, White, Goodman, Nelson, Hurst, Carlyle, Eddy, Rodne, Kenney, Kessler, Kagi and Santos.

**Brief Summary of Bill**

- Reinstates arts and heritage program funding in King County to the distributions established in 2008 legislation.

**Hearing Date:** 2/24/09

**Staff:** Rick Peterson (786-7150)

**Background:**

A hotel-motel tax is a special sales tax on lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and other 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 is often referred to as "special" hotel-motel taxes.

The hotel-motel tax in King County was initially applied to servicing the debt on the Kingdome. Beginning in 1989, 70 percent of the tax revenues above \$5.3 million per year were dedicated to arts and heritage programs in King County. The other 30 percent of the revenue in excess of \$5.3 million was dedicated first to retiring the Kingdome debt, then to acquisition of open space lands, youth sports activities, and tourism promotion. This arrangement was scheduled to end in 2012. After 2012, all the hotel-motel tax was designated to retiring the Kingdome debt. Once

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the Kingdome debt was retired, then the full amount of hotel-motel tax in King County went to retiring the debt on Qwest Field.

The 2008 legislature made some changes to the distribution of the hotel-motel for arts and heritage programs. Before the 2008 legislation, 70 percent of amount above \$5.3 million went to arts and heritage programs. Of this, 60 percent was available for current use and 40 percent was placed in an arts endowment fund, of which the principal could not be used.

After the 2008 legislation, the 40 percent distribution of the arts and heritage amount was placed into an account dedicated to art museums, cultural museums, heritage museums, and heritage and preservation programs rather than the endowment fund and the balance in the endowment fund was allowed to be used. Also, once the bonds used to pay for the repairs to the Kingdome were retired, the King County hotel-motel tax would be distributed into the account dedicated to the arts and heritage programs until December 31, 2015. After 2015 the hotel-motel tax would go to paying for Qwest Field. And 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.

A late amendment to the 2008 legislation expired all of the distribution changes to the hotel-motel tax in King County on July 1, 2009.

**Summary of Bill:**

The July 1, 2009 expiration date on distributional changes to the King County hotel-motel distributions adopted by the 2008 legislature is removed.

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 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.

**Appropriation:** None.

**Fiscal Note:** Requested.

**Effective Date:** The bill has an emergency clause and takes effect on July 1, 2009.