

# HOUSE BILL REPORT

## HB 2912

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### As Reported by House Committee On: Finance

**Title:** An act relating to modifying local excise taxes in counties that have pledged lodging tax revenues for the payment of bonds prior to June 26, 1975.

**Brief Description:** Modifying local excise taxes in counties that have pledged lodging tax revenues for the payment of bonds prior to June 26, 1975.

**Sponsors:** Representatives Quall, Carlyle, O'Brien, Ericks, Dunshee, Sullivan, Blake, Jacks, Hunter and Maxwell.

#### **Brief History:**

##### **Committee Activity:**

Finance: 1/28/10, 2/9/10 [DPS].

#### **Brief Summary of Substitute Bill**

- Directs stadium-related tax sources in King County to dedicated accounts once the obligations for stadium debt are paid.
- Requires money in the dedicated accounts to be used for arts and heritage programs, affordable housing, public health services and human services provided by nonprofit organizations, tourism promotion, youth and amateur sports facilities, regional centers, performing arts centers, and community development.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Conway, Ericks, Santos and Springer.

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

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

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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.*

**Background:**

In King County the 2 percent state-shared, hotel-motel tax is used for retiring the debt on the Kingdome, arts and heritage programs, and after 2015 (or earlier if the debt is repaid) for repaying the debt on the football stadium and exhibition center and for youth athletic facility grants to cities, counties, or nonprofit organizations if sufficient money is available. King County is exempt from providing a tax credit for similar city hotel-motel taxes. As a result King County benefits from a double credit against state sales for hotel stays in Bellevue. The double credit is scheduled to stop at the end of 2012.

Also scheduled to stop at the end of 2012 is the distribution of a portion of the 2 percent state-shared hotel-motel tax to arts and heritage programs. Forty percent of these distributions are deposited into a permanent and irreducible fund (fund) of which only the earnings on the fund may be spent on current programs.

In addition to the 2 percent hotel-motel tax, the debt on the professional football stadium and exhibition hall is being retired by revenue from a credit against the state sales tax of 0.016 percent of taxable retail sales in King County and additional lottery games.

In 1995 the Legislature authorized financing for a new baseball stadium in King County. The state's contribution included a credit against the state sales tax of 0.017 percent of taxable retail sales in King County, sports themed lottery revenues, and commemorative ballpark license plates. King County was authorized to impose a special 0.5 percent sales tax on food and beverages in King County restaurants, taverns, and bars; a 2 percent sales tax on car rentals in King County; and admission taxes at the new ballpark. The baseball team also contributed to the construction of the facility. The 0.017 percent sales tax credit, the 0.5 percent tax on restaurant meals, the lottery revenue, and the 2 percent car rental tax all end when construction bonds are paid.

The baseball stadium was developed by the Washington State Major League Baseball Stadium Public Facilities District (District). Public facility districts are authorized to impose certain taxes with approval of the voters of the district including a tax of up to 10 percent on parking at facilities owned or leased by the public facility district.

All counties are authorized to impose a 1 percent car rental tax. The revenue from the 1 percent car rental tax may be used for public stadium facilities and youth or amateur sports activities or facilities.

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**Summary of Substitute Bill:**

After current obligations to stadium debt are paid, revenue from the 2 percent state-shared hotel-motel tax in King County is directed as follows: 37.5 percent into an Arts and Cultural Account, 37.5 percent into an Affordable Workforce Housing Account, and 25 percent into a Special Purposes Account.

The double credit for the King County 2 percent state-shared hotel-motel tax is extended through 2020. The revenue derived from this credit is used to pay Kingdome debt through 2015 and then goes into the Special Purposes Account.

The District is authorized to impose the 10 percent parking tax at a parking facility owned or leased by the District without voter approval. The revenue from the tax must be used for repair, re-equipping, and capital improvement of the baseball stadium.

The following revenue will also be deposited into the Special Purposes Account: the credit against the state sales tax of 0.017 percent, the credit against the state sales tax of 0.016 percent, the 0.5 percent restaurant tax (until December 31, 2015 when it expires), the 2 percent car rental tax, and 75 percent of the 1 percent car rental tax.

Money in the Special Purposes Account will be used for funding nonprofit organizations providing public health services and human services, tourism promotion, youth and amateur sports activities and facilities, regional centers, performing arts centers, and community preservation and development authorities. Beginning in 2012 distribution from the Special Purposes Account to the Community Preservation and Development Account are made in an amount equal to \$1 for each admission to a commercial event at the professional baseball stadium, the professional football stadium, and the exhibition center. Annual distributions of \$8.4 million are made from the Special Purposes Account to the Affordable Workforce Housing Account for the years 2013 through 2020.

**Substitute Bill Compared to Original Bill:**

The substitute bill continues the double credit for the King County's 2 percent state-shared hotel-motel tax through 2020. The substitute bill allows the principle of the Permanent Arts Fund to be used for current programs. The substitute bill removes funding for publically owned stadiums and arenas and funding for baseball stadium maintenance from the allowable uses of the special purposes account. The substitute requires distribution from the Special Purposes Account to the Community Preservation and Development Account in an amount equal to \$1 for each admission to a commercial event at the professional baseball stadium, the professional football stadium, and the exhibition center. Annual distributions of \$8.4 million are made from the Special Purposes Account to the Affordable Workforce Housing Account for the years 2013 through 2020.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect on July 1, 2010.

**Staff Summary of Public Testimony:**

(In support) While this bill address local taxes in King County only, the taxes finance projects that benefit the whole state. It conforms to three guiding principles: (1) that we

continue the King County funding sources; (2) that good decision-making over just spending be preserved; and (3) that specific funding for arts and heritage funding be continued and that human services funding be provided. It will give King County additional resources to meet the highest priorities during a critical time. This bill will lay the foundation for job growth and help stimulate tourism to the area. There is a great need for affordable housing in King County and this will help provide funding to address this issue.

(In support with concerns) The restaurant industry was comfortable with the restaurant tax because it was going to support an industry that had a nexus with restaurants. However, this bill would apply these taxes to areas that do not have a strong nexus, and we would recommend that the bill be changed so that the funds are used in areas that would benefit restaurants more. We would like to request that Yakima County be included in the bill. It would not affect King County, but it would extend the hotel-motel tax for Yakima. There are several "shovel-ready" projects in Yakima and this would greatly benefit them.

(Opposed) None.

**Persons Testifying:** (In support) Representative Quall, prime sponsor; Fred Jarrett, King County; Joann Piquette, Federal Way Coalition of the Performing Arts; Nick Federici, Washington Low Income Housing Alliance; Megan Hyla, King County Housing Authority; Harry Hoffman, Housing Development Consortium of Seattle-King County; Cathryn Vandenbrunk, Artspace; Bart Waldman, Seattle Mariners; Rick Slunaker, Associated General Contractors; Tony Lee, Solid Ground; Mark Blatter, Historic Seattle; and Michael Herschensohn.

(In support with concerns) Bruce Beckett, Washington Restaurant Association; and Ron Newbry and Greg Stewart, Central Washington State Fair Association.

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