

HOUSE BILL REPORT

HB 1695

As Reported by House Committee On: Finance

Title: An act relating to allowing the use of lodging taxes for financing workforce housing and tourism promotion activities or facilities.

Brief Description: Allowing the use of lodging taxes for financing workforce housing and tourism promotion activities or facilities.

Sponsors: Representatives Fitzgibbon, Sullivan, Springer, Kochmar, Ryu, Moscoso and Roberts.

Brief History:

Committee Activity:

Finance: 2/18/13, 2/27/13 [DPS].

Brief Summary of Substitute Bill

- Clarifies that hotel-motel revenues can be used to pay off bonds issued for affordable workforce housing and tourism-promotion.
- Requires King County to conduct an open public process to determine how revenues are used for tourism-promotion.
- Modifies the definition of tourism-promotion to include facilities.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Fitzgibbon, Hansen, Lytton, Pollet, Reykdal and Springer.

Minority Report: Do not pass. Signed by 4 members: Representatives Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta and Vick.

Staff: Dominique Meyers (786-7150).

Background:

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.

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 is often referred to as special hotel-motel taxes.

Counties are required to give a credit to similar state shared hotel-motel taxes levied in a city within the county. However, cities in King County are prohibited from imposing the 2 percent state shared hotel-motel tax, except the city of Bellevue. The county provides a credit for Bellevue's state shared hotel-motel tax, therefore, there is no double credit against the state sales tax. Yakima County is exempt from providing a tax credit for city state shared hotel-motel taxes imposed within the city of Yakima. As a result, Yakima County benefits from a double credit against the state sales tax for hotel stays in the city of Yakima. The Yakima double credit is scheduled to end January 1, 2035.

Currently, 100 percent of revenues from the state shared hotel-motel taxes in King County are used to pay off the Kingdome bonds. Once the bonds are retired, the county hotel-motel taxes are distributed into an account dedicated to the arts, culture, and heritage programs, until December 31, 2015. After 2015 the tax is used to repay the debt on the football stadium and exhibition center, which is anticipated to be retired in 2020, and to provide youth athletic-facility grants to cities, counties or nonprofit organizations if sufficient money is available.

Beginning January 1, 2021, at least 37.5 percent of King County state shared hotel-motel tax revenues will be distributed to the account dedicated to art museums, cultural museums, heritage museums, the arts, and performing arts. In addition, at least 37.5 percent of the county's state shared hotel-motel tax revenues are distributed for affordable workforce housing and services for homeless youth. The remaining 25 percent must be used for tourism promotion.

Summary of Substitute Bill:

Revenues from the King County state shared hotel-motel taxes used for affordable workforce housing can be used to retire bonds issued for contracts, loans, or grants to the nonprofit organizations or public housing authorities that provide affordable workforce housing.

In addition, the remaining 25 percent of revenues used for tourism-promotion can also be used to retire bonds issued for tourism-promotion. King County is required to conduct an open public process to determine how revenues are used for tourism-promotion.

The definition of tourism promotion is changed to include "facilities" that are intended to attract tourists.

Substitute Bill Compared to Original Bill:

The substitute bill makes structural changes to the language to clarify that hotel-motel revenues for tourism-promotion and affordable housing purposes can be used to pay off bonds issued to finance contracts, loans or grants for tourism-promotion or affordable housing. In addition, King County is required to conduct an open public process to determine how revenues are used for tourism-promotion.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The legislation is a technical clarification that will allow King County to bond against this revenue source. The bill allows King County to start using this money now when it is needed to start projects important to the county. Cities in King County, including Mercer Island, Auburn, Federal Way, Kent, and Issaquah support the bill.

(With concerns) The general concept of the bill, allowing King County the ability to bond, is a good idea. However, the change in the definition of tourism-promotion to include facilities is why the City of SeaTac has concerns with the bill. Out of the revenues collected from this tax, 14 percent comes from south King County and the City of SeaTac. The city would like to ensure that these revenues are spent on tourism-promotion in south King County. The revenues in SeaTac are used more for tourism operations versus facilities. The fix to address this concern would be relatively easy.

(Opposed) None.

Persons Testifying: (In support) Representative Fitzgibbon, prime sponsor; Harry Hoffman, Housing Development Consortium Seattle-King County; Becky Bogard, Seattle Convention and Visitor's Bureau; and Genessee Adkins, King County.

(With concerns) Briahna Tayler, City of SeaTac.

Persons Signed In To Testify But Not Testifying: None.