

# HOUSE BILL REPORT

## ESSB 5228

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**As Reported by House Committee On:**  
Local Government

**Title:** An act relating to the authorization to impose special excise taxes on the sale of lodging.

**Brief Description:** Concerning the authorization to impose special excise taxes on the sale of lodging in certain counties.

**Sponsors:** Senate Committee on Local Government (originally sponsored by Senators Takko and Saldaña).

**Brief History:**

**Committee Activity:**

Local Government: 3/26/19, 3/28/19 [DP].

**Brief Summary of Engrossed Substitute Bill**

- Authorizes a city located within a county that imposed a lodging tax of 4 percent on January 1, 1997, to impose a 2-percent tax on the sale of lodging so long as the city is located within a county with fewer than 400,000 residents.

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### HOUSE COMMITTEE ON LOCAL GOVERNMENT

**Majority Report:** Do pass. Signed by 4 members: Representatives Pollet, Chair; Peterson, Vice Chair; Appleton and Senn.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Kraft, Ranking Minority Member; Griffey, Assistant Ranking Minority Member; Goehner.

**Staff:** Yvonne Walker (786-7841).

**Background:**

Hotel-Motel Tax.

The state imposes an excise tax of 6.5 percent on the sale of goods and services provided within the state, including the furnishing of lodging for a: hotel; motel; rooming house;

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private campground; trailer park; or similar short-term accommodation. Cities and counties are authorized to impose an additional special local excise tax on lodging services, known as a "local hotel-motel" tax.

One type of local hotel-motel tax allows cities and counties to levy up to 2 percent of a lodging charge, which is credited against the state tax rate of 6.5 percent. This tax is sometimes referred to as the basic "state-shared hotel-motel tax." Counties that impose the basic "state-shared hotel-motel tax" must also provide a credit for a similar tax imposed by any city within the county.

In addition, most counties and cities may levy an additional local tax of up to 2 percent. This tax is sometimes referred to as the additional "special local hotel-motel tax." This additional special 2-percent tax is not credited against the state sales tax and may only be levied so long as the total tax rate—including the state sales tax, the public facilities district sales tax, the hotel-motel taxes, the city, county, and transit district sales taxes, and the convention and trade center tax—does not exceed the statutory limit. The combined tax rate on sales of lodging must not exceed the greater of 12 percent or the rate effective on December 1, 2000; however, the total combined tax rate for Seattle is 15.2 percent due to a higher convention center tax.

Certain counties, cities within those counties, and cities that had the authority to levy a local tax exceeding 4 percent on lodging prior to July 27, 1997, are grandfathered in and allowed a total hotel-motel tax rate higher than 4 percent. These jurisdictions are: Grays Harbor County, Pierce County, Chelan County, the City of Leavenworth, the City of Long Beach, the City of Bellevue, the City of Yakima, and the City of Winthrop. However, cities located in counties that had the authority to levy a 4-percent countywide tax before January 1, 1997, are capped and limited to the basic 2-percent rate. This affects cities in Grays Harbor and Cowlitz counties.

Revenue generated from these local hotel-motel taxes is generally used for tourism, promotion, or the acquisition and operation of tourism-related facilities. A county may issue general obligation and revenue bonds that are payable from the special hotel-motel tax revenues.

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**Summary of Bill:**

A city or town located in a county with a population of fewer than 400,000 residents may impose a tax of 2 percent on the sale of lodging.

This act takes effect July 1, 2020.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2020.

**Staff Summary of Public Testimony:**

(In support) Cities in 37 of the 39 counties of the state are authorized to collect the 2-percent tax, and nearly all of them do. The only place where the distribution of hotel-motel tax proceeds is an issue is in Cowlitz County. This bill would allow the five cities of Cowlitz County to retain the special 2-percent lodging tax collected from hotels and motels located in the cities but disbursed to the county.

Most of the hotels in Cowlitz County are located in the cities, and cities could use this money for tourism activities. The City of Kelso generates the most revenue in the county, and the additional revenue would help pay for tourism activities in Kelso. The City of Kalama would receive the least amount of money from the hotel-motel tax, but this extra money would help give them the ability to market their city. The cities are still willing to work with the county but just want to have more of a say in the money that they generate.

This bill is about fairness and providing a level playing field. This bill will put the cities of Cowlitz County on par with the rest of the cities in the state and will provide equity for cities in the Cowlitz County. Cowlitz County will still receive over \$100,000 from taxes each year.

(Opposed) The state has always supported the idea of regional approaches to local concerns. In 1997, with an active volcano near Cowlitz County, the state thought a regional approach to tourism made perfect sense. The lodging tax was originally imposed to promote Cowlitz County tourism, and over \$100,000 is used to promote national and international tourism for Cowlitz County, Mount Saint Helens, and the state. Money that is not going towards tourism is used for county-wide grants given to various cities, chambers of commerce, and nonprofits to promote their events. If this bill is enacted, Cowlitz County will not have enough money to promote tourism to Mount Saint Helens.

**Persons Testifying:** (In support) Senator Takko, prime sponsor; Steve Taylor, Mike Karnofski, and Josh Weiss, City of Kelso; and Rosemary Siipola, City of Kalama.

(Opposed) Dennis Weber and Kimberly Bowcutt, Cowlitz County.

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