
Finance Committee

HB 2713

Brief Description: Revising hotel-motel taxation.

Sponsors: Representatives Veloria, Van Luven and Woods.

Brief Summary of Bill

- Limits the use of hotel-motel taxes for performing arts centers.
- Requires the Local Lodging Tax Committee to approve or reject proposals for use of hotel-motel tax revenues.
- Revises other provisions relating to lodging tax committees.
- Requires each municipality to use or pledge at least 75 percent of hotel-motel revenue each year.

Hearing Date: 2/4/02

Staff: Bob Longman (786-7139).

Background:

State and local sales taxes apply to lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. Hotel-motel taxes are special sales taxes on lodging rentals. Hotel-motel taxes may be imposed by municipalities including counties, cities, and towns, subject to statutory restrictions on rates and uses of revenue.

Municipalities that impose hotel-motel taxes may use the revenue for tourism promotion or to support tourism related facilities. The statute defines tourism as economic activity from tourists, and tourist as a person who travels from a place of residence to another place for business or personal reasons. A tourist-related facility is a place used to support tourism, performing arts, or tourist activities.

A municipality with a population of 5,000 or more must create a Lodging Tax Advisory Committee before imposing a new lodging tax or increasing the rate of an existing lodging tax. If a municipality proposes new lodging tax, lodging taxes increases, or changes in the

use of lodging tax revenue, the proposal must be submitted to the advisory committee for comment at least 45 days before final action on the proposal.

A Lodging Tax Advisory Committee must have at least five members: Two persons representing lodging businesses, two persons involved in activities funded by lodging tax revenue, and an elected official as chair. Advisory committees may have more than five members, as long as the number of members representing lodging businesses equals the number of members involved in funded activities. A person who both represents a lodging business and is involved in funded activities is not eligible for appointment.

Summary of Bill:

The definition of tourism-related facility is changed so that performing arts facilities are included only if related to tourism or tourist activities.

The word "advisory" is dropped from the name of the Lodging Tax Advisory Committee, so that it becomes the Lodging Tax Committee. The prohibition on a committee member both representing a lodging business and being involved in funded activities is eliminated. In addition to commenting on a lodging tax proposal, the committee must approve or reject the proposal, and give reasons for the approval or rejection. Multi-year expenditures must be reviewed and approved or rejected annually, except for expenditures to secure financing for a tourist-related facility. The municipality cannot approve the use of hotel-motel tax funds until the Lodging Tax Committee has approved the use. Although a jurisdiction with less than 5,000 population is not required to have lodging tax committees, if the municipality voluntarily creates a committee, the committee must follow the procedures set in statute.

Each municipality must use or pledge at least 75 percent of hotel-motel revenue each year.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.