

SENATE BILL REPORT

2SHB 2015

As Reported by Senate Committee On:
Ways & Means, February 26, 2018

Title: An act relating to modifying the lodging excise tax to remove the exemption for premises with fewer than sixty lodging units and to tax certain vacation rentals, short-term home-sharing arrangements, and other compensated use or occupancy of dwellings.

Brief Description: Modifying the lodging excise tax to remove the exemption for premises with fewer than sixty lodging units and to tax certain vacation rentals, short-term home-sharing arrangements, and other compensated use or occupancy of dwellings.

Sponsors: House Committee on Finance (originally sponsored by Representatives Pettigrew, Stokesbary, Nealey, Springer, Macri and Pollet).

Brief History: Passed House: 2/13/18, 56-42.

Committee Activity: Ways & Means: 2/24/18, 2/26/18 [DPA(WM), DNP].

Brief Summary of Amended Bill

- Expands the King County convention center tax on lodging to apply to lodging premises with 59 or fewer units, including short-term rentals.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass as amended by Committee on Ways & Means.

Signed by Senators Frockt, Vice Chair; Bailey, Becker, Billig, Carlyle, Conway, Fain, Hasegawa, Hunt, Keiser, Palumbo, Pedersen, Ranker, Schoesler, Van De Wege, Wagoner and Warnick.

Minority Report: Do not pass.

Signed by Senators Honeyford, Assistant Ranking Member; Brown, Darneille, Mullet and Rivers.

Staff: Alia Kennedy (786-7405)

Background: Hotel-Motel Tax. The state imposes an excise tax of 6.5 percent on the sale of goods and services provided in the state, including the furnishing of lodging by a hotel,

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motel, rooming house, private campground, trailer park, and similar short-term accommodations. 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. Counties imposing this state shared hotel-motel tax also must provide a credit for a similar tax imposed by any city within the county. Counties and cities also have authority to levy an additional special hotel-motel tax that may be added onto the state tax rate.

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

Convention and Trade Center Tax. A local convention center tax applies to lodging within King County. The convention center tax was first effective on April 1, 1982. The tax is imposed by a King County public facilities district (PFD). This special sales and use tax applies only to the sale of lodging in hotels, motels, and similar facilities in King County with at least 60 units. The tax rate is 7 percent within the city of Seattle and 2.8 percent throughout the remainder of King County. In addition, the PFD may impose a 2 percent lodging tax on facilities with at least 60 units that are credited against the state sales tax rate.

The convention center tax is in addition to the retail sales tax. Thus, the combined tax rate for hotels and motels with 60 or more units within Seattle is presently 15.6 percent.

Summary of Amended Bill: The King County convention center tax also applies to the sale of lodging at premises with 59 or fewer units, including short-term rentals. The PFD may use the funds for the renovation and expansion of a convention and trade center.

If a city within the PFD boundaries imposed a lodging tax on short-term rentals on or before December 31, 2017, the convention center lodging tax on short-term rentals will not be imposed in that city. However, if the city repeals the ordinance authorizing the city's short-term rental lodging tax, the PFD will distribute to the city the amount of the convention center lodging tax on short-term rentals revenues collected within this city's jurisdiction. These funds must be used to support community-initiated equitable development and affordable housing programs. This distribution will continue so long as the city does not impose a new tax on short-term rentals and the city has the authority to impose such a tax.

The remaining revenues collected from the imposition of the lodging tax on short-term rentals within the county must be divided equally between the PFD and the county. The county must use the funds for affordable housing.

A short-term rental means a lodging use that is not a hotel or motel, in which a dwelling unit, or part of a dwelling unit, is offered to a guest by a short-term rental operator for a fee for fewer than 30 consecutive nights. It does not include a dwelling rented to a person for more than 30 consecutive nights or temporary housing to individuals being treated for trauma, injury, or disease and their family members.

EFFECT OF WAYS & MEANS COMMITTEE AMENDMENT(S):

- Excludes from the lodging tax the University of Washington Medical Center temporary housing facility available to family members of medical patients.
- Removes the lack of authority to impose the tax as a condition under which the public facilities district does not have to make quarterly payments to the city.
- Clarifies that lodging taxes will be applied at the same rate and distributed in the same manner regardless of the number of rooms of a lodging establishment.
- Clarifies that any payments to a city for revenues collected on short-term rentals are from revenues collected under this act.
- Maintains the tax exemption for lodging businesses with fewer than 60 lodging units if the business is located in a town with a population less than 300.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on October 1, 2018.

Staff Summary of Public Testimony on Second Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: The nature of the lodging tax has changed since this tax was first authorized back. Short-term rentals are now a significant part of the lodging industry. This bill makes certain that all lodging types are paying the same tax. There are only three counties in the state that has any cutoffs. This bill impacts facilities in King County only. This is the last piece necessary to move forward on the convention center expansion, which includes a new addition, public benefits, and renovation of the existing convention center. The bill provides for economic and administrative efficiency because it provides for collecting and remitting to the city revenues that the city would otherwise be collecting on short-term rentals. The bill increases job growth and has the potential to create over 6000 new jobs during construction and 2300 family-wage jobs once the expansion is complete.

OTHER: There is concern over the steel fabrication that would be used in this project because it was to be done overseas; however, there is capacity to do this in state. Importing these goods is not carbon neutral and prevents any input on how the steel is produced or transported into Washington. UW Medical Health System requests an amendment exempting the UW Medical Center's temporary family housing facility.

Persons Testifying: PRO: Neil Hartman, Washington State Building and Construction Trades Council; Becky Bogard, Washington State Convention Center Public Facilities District.

OTHER: Ian Goodhew, UW Medicine Health System; Michelle Frisk, Political Coordinator, Iron Workers.

Persons Signed In To Testify But Not Testifying: No one.