
Finance Committee

HB 1242

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

Sponsors: Representatives Blake and Walsh.

Brief Summary of Bill

- Authorizes a city located in 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 in a county with less than 400,000 residents.

Hearing Date: 2/25/19

Staff: Tracey O'Brien (786-7152).

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, motel, rooming house, private campground, trailer park, and 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. Counties that impose the "state shared hotel-motel tax" also must provide a credit for a similar tax imposed by any city within the county.

In addition, most counties and cities may levy an additional tax of up to 2 percent. This additional 2 percent tax is not credited against the state sales tax and may only be levied so long as the total tax rate under the state sales tax, public facilities district sales tax, the hotel-motel tax, the city, county and transit district sales taxes, and the convention and trade center tax does not

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exceed the statutory limit. The combined 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 rate for Seattle is 15.2 percent due to a higher convention center tax.

Counties, including cities within the county, and cities that had the authority to levy a special tax of 4 percent on lodging prior to July 27, 1997, are allowed a total hotel-motel tax rate higher than 4 percent. These jurisdictions are Grays Harbor County, Pierce County, Chelan, Leavenworth, Long Beach, Bellevue, Yakima and Winthrop. Cities located in counties that had the authority to levy a total 4 percent county-wide before January 1, 1997, are limited to the basic 2 percent rate. This affects cities in Snohomish and Cowlitz Counties.

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 obligation and revenue bonds that are payable from the special hotel-motel tax revenues.

Summary of Bill:

A city located in a county with a population of less than 400,000 residents may impose an up to 2 percent tax on the sale of lodging.

Appropriation: None.

Fiscal Note: Requested on January 22, 2019.

Effective Date: The bill contains an emergency clause and takes effect on January 1, 2019.