

SENATE BILL REPORT

HB 1242

As Reported by Senate Committee On:
Local Government, February 25, 2020

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.

Sponsors: Representatives Blake and Walsh.

Brief History: Passed House: 2/13/20, 57-40.

Committee Activity: Local Government: 2/25/20, 2/25/20 [DPA, DNP, w/oRec].

Brief Summary of Amended Bill

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

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass as amended.

Signed by Senators Takko, Chair; Salomon, Vice Chair; Lovelett.

Minority Report: Do not pass.

Signed by Senator Honeyford.

Minority Report: That it be referred without recommendation.

Signed by Senator Short, Ranking Member.

Staff: Greg Vogel (786-7413)

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, private campground, trailer park, or similar short-term

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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.

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—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 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, 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 County, the City of Leavenworth, the City of Long Beach, the City of Bellevue, the City of Yakima, and the City of Winthrop. Cities located in counties that had the authority to levy a 4 percent countywide tax before January 1, 1997, are limited to the basic 2 percent rate. This affects cities in Snohomish, Grays Harbor, and Cowlitz counties.

Revenue generated from these local hotel-motel taxes generally is 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 Amended Bill: Beginning July 1, 2020, a city or town located within a county that imposed a lodging tax rate of 4 percent or more on January 1, 1997, may impose a 2 percent tax on the sale of lodging, if the city or town is located within a county with a population of less than 400,000.

EFFECT OF LOCAL GOVERNMENT COMMITTEE AMENDMENT(S): Changes the effective date of the act to July 1, 2020.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2020.

Staff Summary of Public Testimony on House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: It is time for the county to give their part of the lodging tax back to the cities of Cowlitz County. The county kept the cities'

portion to cover the cost of the visitor's center for Mt. St. Helens, which was sold two years ago. Cities are asking to be treated the same way as cities in 37 other counties are treated. This is an issue of fairness.

We have tried to work this out with the county but have not been able to reach agreement or come to an equitable way to share revenue. We are experiencing recent success in tourism and overnight stays, and this bill increases the ability to market events and stimulate the local economy. The revenues will have a positive impact on our region. This bill allows us to create a tourism campaign that will benefit the town, and highlight specific attractions not being prioritized at the county level at this time.

CON: These reforms are problematic for the state. The funding was initially negotiated so that Cowlitz County could fund the national volcanic monument at Mt. St. Helens. For the monument to become a long-term success, tourists would need a place to stay over night. Unfortunately, the forest service shuttered one of the major day-only visitor centers and we followed suit. The good news is, the forest service has accepted a proposal to repurpose the facility, and we are preparing a feasibility study for cabins and an RV park.

Since cities have no intention of supporting tourism there, if the bill passes, the state will need to find other ways to promote tourism at Mt. St. Helens. We are coming up on the 40th anniversary of the Mt. St. Helens eruption, and we are working to market events for this anniversary.

This is a difficult issue within the county. We always try to support each other but are at loggerheads, because we believe in a regional approach to tourism. One of the main arguments is that many other counties do it this way. That argument does not work. Doing tourism regionally makes sense, for southwest Washington and the state. We are working to promote Mt. St. Helens because that's the regional destination, regional draw to bring people to the state. We would argue that Mt. St. Helens generates the revenue and that's where it should be allocated to.

Persons Testifying: PRO: Mike Karnofski, City Councilmember, City of Kelso; Andrew Hamilton, City Manager, City of Kelso; Adam Smee, City Administrator, City of Kalama; Will Finn, Mayor, City of Woodland.

CON: Mark Smith, citizen; Dennis Weber, Cowlitz County Commissioner; Axel Swanson, Cowlitz County Chief of Staff; Kimberly Bowcutt, Cowlitz County Tourism; David Vorse, City of Castle Rock Public Works Director; Michael Vorse, Castle Rock Chamber of Commerce Member.

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