

SENATE BILL REPORT

SB 5958

As Reported By Senate Committee On:
Government Operations & Elections, March 4, 2003

Title: An act relating to the taxation of lodging.

Brief Description: Modifying lodging taxation.

Sponsors: Senator McAuliffe.

Brief History:

Committee Activity: Government Operations & Elections: 2/28/03, 3/4/03 [DP].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Majority Report: Do pass.

Signed by Senators Roach, Chair; Stevens, Vice Chair; Fairley, Kastama and Reardon.

Staff: Ronda Larson (786-7429)

Background: Some cities and counties place hotel/motel taxes on lodging rentals. In many circumstances, counties may not impose hotel/motel taxes at rates higher than 2 percent. However, if a county had imposed a hotel/motel tax prior to 1975, and if several criteria are met, the county's tax is grandfathered in. This results in county tax rates that vary widely throughout the state.

With some exceptions, cities have either 2 percent or 4 percent taxing authority under the hotel/motel tax statute. First, almost all cities have baseline authority to tax up to 2 percent of hotel/motel transactions. Second, some cities have additional taxing authority of up to 2 percent, for a total authority of up to 4 percent. If both the county and the city want to impose a 2 percent or a 4 percent tax, only the county may impose the tax, and it must give to the city the revenue that it collected from hotels in the city. This prevents hotels from having to pay a double tax.

The second 2-percent grant of authority contains multiple exceptions. Under one exception, if a county's grandfathered rate was at least 4 percent on January 1, 1997, cities in that county lose the second 2 percent of hotel/motel taxing authority. This exception took effect in 1993 and was preserved in the hotel/motel tax statute rewrite of 1997.

Summary of Bill: An exception is removed for cities that cover more than one county. Such cities are given authority to impose a hotel/motel tax of up to 4 percent, even if such cities are in a county whose hotel/motel tax rate was at least 4 percent on January 1, 1997. The remaining exceptions to cities' 4-percent authority are preserved.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Last year an almost identical bill sailed through the House and Senate. But it had a drafting error, so the Governor vetoed it. But everyone agreed that it was a good bill. The bill will assist the City of Bothell, which is a main street with many tourists. The city needs the money, which it will use for tourism, arts and cultural programs. The bill only shifts the recipient of the hotel/motel tax revenue from the county to the city. The bill does not increase taxes on hotels.

Testimony Against: Bothell is the only city in Snohomish County that this bill affects because it is the only city that covers more than one county and that has hotels and motels. The bill puts hotels in Bothell at a competitive disadvantage compared to hotels in other cities. This is a delicate time for the hotel industry overall because of the travel scares after 9/11. We need to help hotels, not increase taxes on them. This bill increases taxes on hotels.

Testified: PRO: Senator McAuliffe, prime sponsor; Michael Weight, City of Bothell; CON: Becky Bogard, Washington Association of Convention and Visitors Bureaus.