

FINAL BILL REPORT

ESSB 6026

C 148 L 03
Synopsis as Enacted

Brief Description: Authorizing a lodging charge to fund tourism promotion.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senator West).

Senate Committee on Ways & Means
House Committee on Trade & Economic Development
House Committee on Finance

Background: Washington currently has three local sales and use taxes on lodging of less than one month. These are commonly referred to as "hotel-motel" taxes.

The first is a maximum 2 percent tax for any tourism-related purpose. Cities and counties may levy this tax, but not both in any one jurisdiction, and it is credited against the state sales tax, thereby not increasing the final charge to customers. In 2001, 134 cities and 38 counties levied this tax.

The second is a maximum 2 percent tax, if imposed in 1997 or later, and maximum 3 percent if imposed before 1997. Cities and counties may levy this, and it is independent of the state sales tax, thereby being an additional charge to customers. This tax is for the promotion of tourism or construction and operation of tourism-related facilities. In 2001, 91 cities and 18 counties levied this tax.

The third is specifically for the Washington State Convention and Trade Center. The rate of this tax is 7 percent in Seattle and 2.8 percent in the remainder of King County, and applies only to facilities with 60 or more lodging units.

In general, cities and counties may impose these hotel-motel taxes as long as the total sales tax rate, when combined with other state and local sales taxes, does not exceed 12 percent. Because of exceptions to this general rule, some combined rates exceed 12 percent. For example, the total combined sales tax rate on lodging in Seattle is 15.6 percent, and in Bellevue is 14.4 percent. In most other areas of King County, it is 12.4 percent.

Counties and incorporated cities and towns may levy special assessments and establish parking and business improvement areas (PBIA's) for the development and maintenance of parking facilities and public events to benefit that area. Businesses, multifamily residences, and mixed-use projects representing at least 60 percent of the property assessments must support the establishment of the PBIA by means of a petition.

Summary: Counties of populations between 40,000 and one million, and incorporated cities and towns within them, may establish a tourism promotion area if the legislative authority receives an initiation petition by the most impacted lodging businesses. An interlocal

agreement is required for a county to establish a promotion area in a city and for a city to establish a promotion area in an unincorporated part of a county.

Within a tourism promotion area, the city or county legislative authority may impose a charge of up to \$2 per night from persons who are taxable by the state under chapter 82.08 RCW (retail sales tax). The charge may vary in an area, according to no more than six classifications based on number of rooms, room revenue, and location in the area, and applies only at lodging businesses with at least 40 rooms.

The Department of Revenue shall administer the charge and the "tourism promotion account" is established in the state treasury.

Votes on Final Passage:

Senate	41	8	
House	74	24	(House amended)
Senate	42	6	(Senate concurred)

Effective: July 27, 2003