

HOUSE BILL REPORT

SSB 5568

As Reported by House Committee On:
Finance

Title: An act relating to extending the date when counties east of the crest of the Cascade mountains that pledged lodging tax revenue for payment of bonds prior to June 26, 1975, must allow a credit for city lodging taxes.

Brief Description: Extending the date when counties east of the crest of the Cascade mountains that pledged lodging tax revenue for payment of bonds prior to June 26, 1975, must allow a credit for city lodging taxes.

Sponsors: Senate Committee on Agriculture & Rural Economic Development (originally sponsored by Senators Rasmussen, Clements, Shin, Schoesler, Jacobsen, Morton, Holmquist and Honeyford).

Brief History:

Committee Activity:

Finance: 4/6/07 [DP].

Brief Summary of Substitute Bill

- Extends the date when Yakima County has to allow a credit for city hotel-motel taxes.
- Authorizes Yakima County to use hotel-motel taxes for additional capital facilities.
- Requires Yakima County to perform an annual financial audit of organizations receiving hotel-motel tax proceeds.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 7 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Condotta, Assistant Ranking Minority Member; Conway, Ericks and Roach.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: Without recommendation. Signed by 2 members: Representatives McIntire and Santos.

Staff: Jeff Mitchell (786-7139).

Background:

Retail sales and use taxes are imposed by the state, most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. The state tax is deposited in the State General Fund. Local tax rates vary from 0.5 percent to 2.4 percent, depending on the location. The average local tax rate is 2.0, for an average combined state and local tax rate of 8.5 percent.

A "hotel-motel" tax is a special sales tax on lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. A local option hotel-motel tax was first authorized in 1967 for King County to build the Kingdome. The rate was 2 percent, but the tax was credited against the regular state sales tax which is imposed on lodging charges. Therefore, the total amount of tax paid by the consumer was not increased as a result of this tax. Authority to impose a hotel-motel tax was broadened, first in 1970 to include the cities of Tacoma and Spokane, and then in 1973 to include all municipalities (counties, cities, and towns) except some in King and Yakima counties.

The "double dip": generally, a county hotel-motel tax must allow a credit for the amount of a hotel-motel tax levied by a city within the county, thus preventing both the city and county from taxing the same lodging transaction. However, this credit requirement does not apply to a county that issued bonds before June 26, 1975, and pledged hotel-motel tax revenue for retirement of these bonds. King and Yakima counties met this deadline. In addition, cities in those counties are prohibited from imposing a hotel-motel tax, unless the city also imposed the tax and pledged the revenues for bonds before the deadline. The cities of Bellevue and Yakima met this deadline. The 2 percent taxes imposed by these cities are credited against the state sales tax, as is the usual rule. However, King and Yakima counties also impose 2 percent taxes county-wide, without granting a credit for city taxes as is required for other counties. These county taxes are also credited against the state sales tax. Thus, the state gives up 4 percent of the state sales tax on lodging rentals in these cities. This is known as the "double-dip."

The "double-dip" expires January 1, 2013. At that time, King and Yakima counties must allow a credit for taxes imposed by cities, as do other counties.

Yakima County is authorized to use the tax for the payments of principal and interest on bonds or county-owned facilities for agricultural promotion.

Summary of Bill:

The date in which Yakima County must provide a credit for city hotel-motel taxes is extended to January 1, 2021. Beginning January 1, 2009, the purposes for which Yakima County may spend tax proceeds is expanded to include tourism-related facilities. Yakima County must also perform an annual financial audit of organizations receiving hotel-motel tax proceeds regarding the use of these proceeds.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) This is one of two pieces of legislation this year that is very important to our region. The Sun Dome has been one of the best capital investments in Yakima County. We will be paying off the bonds for the Sun Dome due to low interest rates. When the bonds are paid off, we would continue to use the money for remodeling of the Sun Dome and agricultural promotion. This bill gives the county commissioners the latitude to look at other projects when the bonds are paid off. It affords us an opportunity to expand and invest further into the future. Yakima County has had large spikes in unemployment that are greater than the state average. We need the economic development and tourism that bring people to Yakima. The fairgrounds and the Capital Theater are highly valued in our area. This bill would support these facilities. This bill would help enhance our state fair park. The public-private partnership between the county and the nonprofit state fair association has worked very well. The county owns the land and the nonprofit organization manages the property. It has been an excellent return on investment. However, since the demise of horse racing we need some opportunity for capital funding. We have 100 year old buildings crumbling because of a lack of capital resources to preserve these heritage resources.

(Opposed) None.

Persons Testifying: Senator Clements, co-sponsor; Representative Skinner; Representative Ross; Ron Gamache, Yakima County Commissioner; Sid Morrison, Central Washington State Fair; and Greg Stewart, Yakima County and State Fair.

Persons Signed In To Testify But Not Testifying: None.