
Finance Committee

HB 1657

Brief Description: Extending the date when counties which have authorized facilities for agriculture promotion must allow a credit for city lodging taxes.

Sponsors: Representatives Chase, Skinner, Grant, Hunt, Newhouse, Warnick, Chandler, Ross, Morrell and Quall.

Brief Summary of Bill

- Extends the date when Yakima County has to allow a credit for city hotel-motel taxes.

Hearing Date: 2/21/07

Staff: Jeff Mitchell (786-7139).

Background:

State and local sales taxes apply to lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. General retail sales tax rates range between 7.0 and 8.9 percent, depending on location. The state sales tax rate is 6.5 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

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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. As a result, in King and Yakima counties, the only cities imposing hotel-motel taxes are the cities of Bellevue and Yakima. The 2 percent taxes imposed by these cities is 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.

Summary of Bill:

The date in which counties must provide a credit for city hotel-motel taxes is extended to January 1, 2021. To qualify for this extension, (1) the county, prior to June 26, 1975, must have pledged the hotel-motel tax for the repayment of bonds; (2) the county must also have facilities for agricultural promotion; and (3) the tax must be used for the repayment of bonds that expire prior to January 1, 2021.

Appropriation: None.

Fiscal Note: Available.

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