

# HOUSE BILL REPORT

## HB 1242

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**As Reported by House Committee On:**  
Finance

**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:**

**Committee Activity:**

Finance: 2/25/19, 2/26/19 [DP].

**Brief Summary of Bill**

- Authorizes a city located within a county that imposed a lodging tax of 4 percent on January 1, 1997, to impose a 2-percent tax on the sale of lodging so long as the city is located within a county with fewer than/under 400,000 residents.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 9 members: Representatives Tarleton, Chair; Walen, Vice Chair; Chapman, Frame, Macri, Morris, Orwall, Springer and Wylie.

**Minority Report:** Do not pass. Signed by 3 members: Representatives Orcutt, Ranking Minority Member; Stokesbary and Vick.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Young, Assistant Ranking Minority Member.

**Staff:** Tracey O'Brien (786-7152).

**Background:**

Hotel-Motel Tax.

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*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.*

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 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.

In addition, 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 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.

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**Summary of Bill:**

A city located within a county with a population of fewer than/under 400,000 residents may impose a tax of 2 percent on the sale of lodging.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill contains an emergency clause and takes effect on January 1, 2019.

**Staff Summary of Public Testimony:**

(In support) This bill would allow five cities to retain the special local hotel-motel tax revenues that are currently distributed to the county. Most cities in Washington receive the full rate; however, cities in Cowlitz County do not, due to the special provision preserving the county's rate from 1997. The incorporated cities in Cowlitz County forgo approximately \$325,000 as the result of this special treatment. These cities are committed to maintaining a regional approach to tourism, but have detailed tourism investments that they would like to make.

(Opposed) None.

**Persons Testifying:** Steve Taylor and Josh Weiss, City of Kelso.

**Persons Signed In To Testify But Not Testifying:** None.