

SENATE BILL REPORT

SB 6446

As of January 23, 2020

Title: An act relating to lodging taxes for affordable housing.

Brief Description: Concerning lodging taxes for affordable housing.

Sponsors: Senators Kuderer, Pedersen, Das, Wilson, C. and Hunt.

Brief History:

Committee Activity: Housing Stability & Affordability: 1/22/20.

Brief Summary of Bill

- Authorizes any county or city experiencing a vacant home rate exceeding 30 percent to impose an additional lodging tax of 5 percent for affordable housing.

SENATE COMMITTEE ON HOUSING STABILITY & AFFORDABILITY

Staff: Jeff Olsen (786-7428)

Background: The state imposes an excise tax of 6.5 percent on the sale of goods and services provided within the state, including furnishing lodging. 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.

Most counties and cities may levy an additional tax 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

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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 2percent rate. This affects cities in Snohomish and Cowlitz counties.

Revenue generated from these local hotel-motel taxes generally is used for tourism promotion or for acquiring and operating tourism-related facilities.

Summary of Bill: A county or city where the vacant home rate exceeds 30 percent may authorize up to an additional 5 percent lodging tax. Monies from the additional lodging tax must support affordable housing programs, with at least 50 percent targeted to households earning less than 80 percent of the area median income. A vacant home includes a housing unit that is not a principal residence of the owner for at least six months out of the year, or is not rented for residential purposes for at least six months out of the year for periods of 30 or more consecutive days.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: Affordable housing supply is a challenge in both rural and urban Washington. Leavenworth has a challenge providing affordable housing, including workforce housing. Many houses in Leavenworth are second homes or vacation homes, and local incomes are unable to compete with the demand coming from outside the area. One solution is to increase the local hotel/motel tax to generate additional funding for affordable and workforce housing. Workforce housing is needed to support workers at schools, hospitals, hotels, and the tourism industry. Local governments need additional tools to address the unique challenges in their communities across the state.

CON: Other options should be considered to address this issue, including addressing short-term rentals that are adding to the affordability problem. Many other jurisdictions across the state and the nation have adopted regulations to manage short-term rentals including requiring business licenses, capping the amount of rentals, or zoning where short-term rentals may occur.

OTHER: The San Juan Islands also have issues with affordable housing and vacation homes. There are concerns regarding how the vacancy rate will be calculated and how the funds will

be spent. Increasing the lodging tax causes other issues, and other options should be considered including taxing vacation rentals.

Persons Testifying: PRO: Senator Patty Kuderer, Prime Sponsor; Michele Thomas, Washington Low Income Housing Alliance; Carl Florea, Mayor, City of Leavenworth.

CON: Julia Gorton, Washington Hospitality Association.

OTHER: Rick Hughes, San Juan County Council.

Persons Signed In To Testify But Not Testifying: No one.