
Finance Committee

HB 1882

Brief Description: Imposing an additional temporary state tax on lodging.

Sponsors: Representatives Cortes, Parshley, Doglio, Ryu, Stonier, Ormsby, Scott, Ramel, Hill and Fosse.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Authorizes a temporary state lodging tax of 2 percent from April 1, 2026 through September 30, 2026.
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Hearing Date: 2/18/25

Staff: Tracey Taylor (786-7152).

Background:

Retail Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes are not collected when the user acquires the property, digital product, or service, then use tax applies to the value of property, digital product, or service when used in this state.

The state, all counties, and all cities levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 0.5 percent to 4.1 percent, depending on the location.

Lodging Taxes.

A city or county legislative authority may impose a 2 percent special excise tax on the sale or

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charge made for the furnishing of lodging at hotels, motels, and short-term rentals. The tax may be imposed by councilmanic authority. The tax is credited against the state sales tax rate.

In most cases, a city's lodging tax is credited against the county's lodging tax, so that the rate is 2 percent countywide; however, the county will not receive revenues from the city's jurisdictions. There are two instances where statutory exemptions allow a city and a county to both impose the 2 percent lodging tax, thus reducing the state sales tax on lodging within those 2 cities to 2.5 percent.

Counties and cities may also impose a special lodging tax up to 2 percent. The special lodging tax is not credited against the state sales tax and results in a tax increase on lodging. If the city and the county both impose the special lodging tax, the rate is limited to 2 percent county-wide, with only the city receiving the special lodging tax revenues collected within its incorporated area.

There are several counties and cities that may have a combined rate of lodging taxes in excess of 4 percent pursuant to a statutory exception.

The maximum rate of state and local taxes on lodging may not exceed 12 percent. The taxes included in this calculation are state and local sales and use taxes, public facilities district sales and use taxes, and lodging taxes.

Lodging tax revenues must be used for tourism promotion, acquisition of tourism-related facilities, or the operations of tourism-related facilities. The proceeds may also be used for tourism marketing, marketing and operations of special events and festivals, operations and capital expenditures of publicly owned tourism facilities, and the operations of tourism facilities owned or operated by a nonprofit.

Tax Preference Performance Statement.

Tax preferences confer reduced tax liability upon a designated class of taxpayers. These include tax exclusions, deductions, exemptions, preferential tax rates, deferrals, and credits. There are over 700 tax preferences. Legislation that establishes or expands a tax preference must include a Tax Preference Performance Statement (TPPS) that identifies the public policy objective of the preference, as well as specific metrics that the Joint Legislative Audit and Review Committee can use to evaluate the effectiveness of the preference. All new tax preferences automatically expire after 10 years unless an alternative expiration date is provided.

Summary of Bill:

An additional temporary tax on the sale or charge for lodging is authorized. The rate is 2 percent and is not included in the calculation of the 12 percent maximum combined tax rate for lodging.

The tax applies only to hotels, motels, and short-term rentals of less than 30 continuous days. The booking or reservation for the stay must be made after the effective date of the act and only

applies to stays occurring between April 1, 2026 and September 30, 2026. Lodging charges for a stay booked prior to the effective date of this act are exempt from the temporary 2 percent lodging tax.

The enhanced tourism account is created. The receipts from the temporary 2 percent tax must be deposited into the account. The funds must be distributed as follows:

- 25 percent is directed to counties on a pro rata basis, based on the amounts collected from the new tax from each county;
- 25 percent must be used to support programs assisting victims of human trafficking and exploitation; and
- 50 percent must be used to support state tourism programs.

This account expires July 1, 2027 and, upon the expiration of the account, any remaining funds will be transferred to the state general fund.

This act is exempt from the requirements of a TPPS.

Appropriation: None.

Fiscal Note: Requested on February 7, 2025.

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