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## Finance Committee

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### HB 2583

**Brief Description:** Concerning authority to impose local excise taxes on lodging.

**Sponsors:** Representatives Stonier, Obras, Scott and Hill.

**Brief Summary of Bill**

- Lowers the population threshold for a city to impose a 4 percent special lodging tax to a city with a population of at least 200,000 located in a county with a population of at least 500,000.
- Allows the board of a public facilities district to impose the 2 percent public facilities lodging tax without voter approval.
- Removes certain rate limits on lodging taxes.

**Hearing Date:** 2/5/26

**Staff:** Serena Dolly (786-7150).

**Background:**

Lodging Taxes.

*State-Shared Lodging Tax.*

A city or county legislative authority may impose a 2 percent special excise tax on the sale or charge made for the furnishing of lodging at hotels, motels, and short-term rentals. The tax is credited against the state sales tax that would be imposed on the sale of lodging. 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 does not receive any revenue from lodging sales within a city's boundaries. 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 the city and county by 4 percent.

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### *Special Lodging Tax.*

An additional excise tax can be imposed on the sale of lodging by a county or most cities at a rate of up to 2 percent. This tax is not a credit against the state sales tax and is instead paid by the purchaser. Cities with a population of at least 400,000 located in a county with a population of at least one million may impose the tax at a rate of up to 4 percent. Cities within Snohomish County and Cowlitz County cannot impose the tax because the counties are imposing a previously authorized 4 percent lodging tax. Certain other counties and cities using tax authority that has since been changed are also authorized to continue to collect the tax at the previous, higher rate.

Outside of King County, revenues from the state-shared and special lodging taxes may only be used to fund tourism promotion or for the acquisition or operation of tourism-related facilities. In King County, the revenue must be divided between: affordable workforce housing; housing, facilities, and services for homeless youth; museums and the arts; and capital or operating programs that promote tourism.

### *Public Facilities Lodging Tax.*

A public facilities district created by most counties also may levy an excise tax on lodging that has at least 40 units. In most counties, the tax may not exceed 2 percent and may not cause sales and excise taxes on lodging to exceed 11.5 percent. The revenue may only be used for the acquisition, design, construction, remodeling, maintenance, equipping, reequipping, repairing, and operation of its public facilities. A majority of voters within the district must approve the tax.

### *Convention Center Lodging Tax.*

A public facilities district in a county with a population of at least 1.5 million may impose a convention center lodging tax on the sale of lodging in the district, including short-term rentals. Hostels, temporary medical housing, and lodging facilities with fewer than 60 units when located in a town with a population of less than 300 are exempt from the tax. The tax cannot exceed 7 percent within the boundaries of the largest city within the district and 2.8 percent in the rest of the district. An additional tax of 2 percent can be imposed within the boundaries of the largest city within the district. This additional 2 percent tax is a credit against state sales taxes due. The convention center lodging tax does not require voter approval.

### *Lodging Tax Limits.*

The imposition of the tax on lodging, when taken together with other taxes, including state and local sales taxes, public facilities district sales taxes, transit district sales taxes, and the convention center lodging tax, may not exceed a total rate of 12 percent in nearly all cities. In a city with a population of at least 400,000 located in a county with a population of at least one million, the combined taxes may not exceed 15.2 percent.

### **Summary of Bill:**

A city with a population of at least 200,000 located in a county with a population of at least 500,000 may impose the special lodging tax at a rate up to 4 percent. The tax is not a credit against the state sales tax and is subject to the lodging tax limit of 15.2 percent.

The board of a public facilities district may impose a lodging tax without seeking voter approval. A public facilities district in a county with a population of at least 500,000 is not subject to the 11.5 percent cap on lodging taxes if the district was created to acquire, own, and operate a convention and trade center or a performing arts center.

**Appropriation:** None.

**Fiscal Note:** Requested on January 22, 2026.

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