
SENATE BILL 5138

State of Washington

69th Legislature

2025 Regular Session

By Senator Saldaña

Prefiled 01/06/25.

1 AN ACT Relating to public facilities districts; and amending RCW
2 36.100.040.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 **Sec. 1.** RCW 36.100.040 and 2018 c 245 s 2 are each amended to
5 read as follows:

6 (1) A public facilities district may impose an excise tax on the
7 sale of or charge made for the furnishing of lodging that is subject
8 to tax under chapter 82.08 RCW, except that no such tax may be levied
9 on any premises having fewer than (~~forty~~) 40 lodging units. Except
10 for any tax imposed under subsection (4) or (5) of this section, if a
11 public facilities district has not imposed such an excise tax prior
12 to December 31, 1995, the public facilities district may only impose
13 the excise tax if a ballot proposition authorizing the imposition of
14 the tax has been approved by a simple majority vote of voters of the
15 public facilities district voting on the proposition.

16 (2) The rate of the tax may not exceed two percent and the
17 proceeds of the tax may only be used for the acquisition, design,
18 construction, remodeling, maintenance, equipping, reequipping,
19 repairing, and operation of its public facilities. This excise tax
20 may not be imposed until the district has approved the proposal to
21 acquire, design, and construct the public facilities.

1 (3) Except for a public facilities district created within a
2 county with a population of one million five hundred thousand or more
3 for the purpose of acquiring, owning, and operating a convention and
4 trade center, a public facilities district may not impose the tax
5 authorized in this section if, after the tax authorized in this
6 section was imposed, the effective combined rate of state and local
7 excise taxes, including sales and use taxes and excise taxes on
8 lodging, imposed on the sale of or charge made for furnishing of
9 lodging in any jurisdiction in the public facilities district exceeds
10 eleven and one-half percent.

11 (4) (a) To replace the tax authorized by RCW 67.40.090, a public
12 facilities district created within a county with a population of one
13 million five hundred thousand or more for the purpose of acquiring,
14 owning, operating, renovating, and expanding a convention and trade
15 center may impose an excise tax on the sale of or charge made for the
16 furnishing of lodging (including but not limited to any short-term
17 rental) that is subject to tax under chapter 82.08 RCW, except that
18 no such tax may be levied on:

19 (i) Any premises:

20 (A) Having fewer than (~~sixty~~) 60 lodging units if the premises
21 is located in a town with a population less than three hundred; or

22 (B) Classified as a hostel;

23 (ii) Any lodging that is concurrently subject to a tax on
24 engaging in the business of being a short-term rental operator
25 imposed by a city in which a convention and trade center is located;
26 or

27 (iii) Any lodging that is operated by a university health care
28 system exclusively for family members of patients.

29 (b) The rate of the tax may not exceed seven percent within the
30 portion of the district that corresponds to the boundaries of the
31 largest city within the public facilities district and may not exceed
32 2.8 percent in the remainder of the district. The tax imposed under
33 this subsection (4) may not be collected prior to the transfer date
34 defined in RCW 36.100.230.

35 (5) To replace the tax authorized by RCW 67.40.130, a public
36 facilities district created within a county with a population of one
37 million five hundred thousand or more for the purpose of acquiring,
38 owning, operating, renovating, and expanding a convention and trade
39 center may impose an additional excise tax on the sale of or charge
40 made for the furnishing of lodging (including but not limited to any

1 short-term rental) that is subject to tax under chapter 82.08 RCW,
2 except that no such tax may be levied on any premises: (a) Having
3 fewer than sixty lodging units if the premises is located in a town
4 with a population less than three hundred; or (b) classified as a
5 hostel. The rate of the additional excise tax may not exceed two
6 percent and may be imposed only within the portion of the district
7 that corresponds to the boundaries of the largest city within the
8 public facilities district and may not be imposed in the remainder of
9 the district. The tax imposed under this subsection (5) may not be
10 collected prior to the transfer date specified in RCW 36.100.230. The
11 tax imposed under this subsection (5) must be credited against the
12 amount of the tax otherwise due to the state from those same
13 taxpayers under chapter 82.08 RCW. The tax under this subsection (5)
14 may be imposed only for the purpose of paying or securing the payment
15 of the principal of and interest on obligations issued or incurred by
16 the public facilities district and paying annual payment amounts to
17 the state under subsection (6)(a) of this section. The authority to
18 impose the additional excise tax under this subsection (5) expires on
19 the date that is the earlier of (i) July 1, 2029, or (ii) the date on
20 which all obligations issued or incurred by the public facilities
21 district to implement any redemption, prepayment, or legal defeasance
22 of outstanding obligations under RCW 36.100.230(3)(a) are no longer
23 outstanding.

24 (6)(a) Commencing with the first full fiscal year of the state
25 after the transfer date defined in RCW 36.100.230 and for so long as
26 a public facilities district imposes a tax under subsection (5) of
27 this section, the public facilities district must transfer to the
28 state of Washington on June 30th of each state fiscal year an annual
29 payment amount.

30 (b) For the purposes of this subsection (6), "annual payment
31 amount" means an amount equal to revenues received by the public
32 facilities district in the fiscal year from the additional excise tax
33 imposed under subsection (5) of this section plus an interest charge
34 calculated on one-half the annual payment amount times an interest
35 rate equal to the average annual rate of return for the prior
36 calendar year in the Washington state local government investment
37 pool created in chapter 43.250 RCW.

38 (c)(i) If the public facilities district in any fiscal year is
39 required to apply additional lodging excise tax revenues to the
40 payment of principal and interest on obligations it issues or incurs,

1 and the public facilities district is unable to pay all or any
2 portion of the annual payment amount to the state, the deficiency is
3 deemed to be a loan from the state to the public facilities district
4 for the purpose of assisting the district in paying such principal
5 and interest and must be repaid by the public facilities district to
6 the state after providing for the payment of the principal of and
7 interest on obligations issued or incurred by the public facilities
8 district, all on terms established by an agreement between the state
9 treasurer and the public facilities district executed prior to the
10 transfer date. Any agreement between the state treasurer and the
11 public facilities district must specify the term for the repayment of
12 the deficiency in the annual payment amount with an interest rate
13 equal to the twenty bond general obligation bond buyer index plus one
14 percentage point.

15 (ii) Outstanding obligations to repay any loans deemed to have
16 been made to the public facilities district as provided in any such
17 agreements between the state treasurer and the public facilities
18 district survive the expiration of the additional excise tax under
19 subsection (5) of this section.

20 (iii) For the purposes of this subsection (6)(c), "additional
21 lodging excise tax revenues" mean the tax revenues received by the
22 public facilities district under subsection (5) of this section.

23 (7) A public facilities district is authorized to pledge any of
24 its revenues, including without limitation revenues from the taxes
25 authorized in this section, to pay or secure the payment of
26 obligations issued or incurred by the public facilities district,
27 subject to the terms established by the board of directors of the
28 public facilities district. So long as a pledge of the taxes
29 authorized under this section is in effect, the legislature may not
30 withdraw or modify the authority to levy and collect the taxes at the
31 rates permitted under this section and may not increase the annual
32 payment amount to be transferred to the state under subsection (6) of
33 this section.

34 (8) The department of revenue must perform the collection of such
35 taxes on behalf of the public facilities district at no cost to the
36 district, and the state treasurer must distribute those taxes as
37 available on a monthly basis to the district or, upon the direction
38 of the district, to a fiscal agent, paying agent, or trustee for
39 obligations issued or incurred by the district.

1 (9) Except as expressly provided in this chapter, all of the
2 provisions contained in RCW 82.08.050 and 82.08.060 and chapter 82.32
3 RCW have full force and application with respect to taxes imposed
4 under the provisions of this section.

5 (10) In determining the effective combined rate of tax for
6 purposes of the limit in subsection (3) of this section, the tax rate
7 under RCW 82.14.530 is not included.

8 (11) The taxes imposed in this section do not apply to sales of
9 temporary medical housing exempt under RCW 82.08.997.

10 (12) The definitions in this subsection apply throughout this
11 section unless the context clearly requires otherwise.

12 (a) (i) "Hostel" means a structure or facility where a majority of
13 the rooms for sleeping accommodations are hostel dormitories
14 containing a minimum of four standard beds designed for single-person
15 occupancy within the facility. Hostel accommodations are supervised
16 and must include at least one common area and at least one common
17 kitchen for guest use.

18 (ii) For the purpose of this subsection (12)(a), "hostel
19 dormitory" means a single room, containing four or more standard beds
20 designed for single-person occupancy, used exclusively as nonprivate
21 communal sleeping quarters, generally for unrelated persons, where
22 such persons independently acquire the right to occupy individual
23 beds, with the operator supervising and determining which bed each
24 person will occupy.

25 (b) "Short-term rental" means a lodging use, that is not a hotel
26 or motel, in which a dwelling unit, or portion thereof, that is
27 offered or provided to a guest or guests by a short-term rental
28 operator for a fee for fewer than thirty consecutive nights. The term
29 "short-term rental" does not include:

30 (i) A dwelling unit, or portion thereof, that is used by the same
31 person for thirty or more consecutive nights; and

32 (ii) A dwelling unit, or portion thereof, that is operated by an
33 organization or government entity that is registered as a charitable
34 organization with the secretary of state, state of Washington, and/or
35 is classified by the federal internal revenue service as a public
36 charity or a private foundation, and provides temporary housing to
37 individuals who are being treated for trauma, injury, or disease
38 and/or their family members.

1 (13) Taxes authorized under subsections (4) and (5) of this
2 section are deemed to have been imposed on December 1, 2000, for the
3 purposes of RCW 82.14.410.

4 (14)(a) Beginning on the date that the condition in (b) of this
5 subsection is satisfied, a public facilities district created within
6 a county with a population of one million five hundred thousand or
7 more for the purpose of acquiring, owning, operating, renovating, and
8 expanding a convention and trade center must make quarterly payments
9 from tax revenue collected by a public facilities district as a
10 result of the tax imposed in chapter 245, Laws of 2018 to a city in
11 which the convention and trade center is located that has authorized
12 on or before December 31, 2017, a tax on engaging in the business of
13 being a short-term rental operator. Such payments must be made no
14 more than thirty days after the last day of each fiscal quarter and
15 must equal the portion of the revenues received by the public
16 facilities district during such fiscal quarter from the lodging taxes
17 authorized under subsection (4) of this section that are determined
18 by the department of revenue to be derived from the short-term rental
19 activity within such city.

20 (b) The public facilities district is not required to make any
21 payments under this subsection (14) unless the city has repealed any
22 ordinance authorizing a tax on engaging in the business of being a
23 short-term rental operator.

24 (c) The public facilities district is not required to make any
25 payments to a city under this subsection (14), if the city, after
26 satisfying the condition in (b) of this subsection imposes any tax
27 specifically on the act of engaging in the business of being a short-
28 term rental operator.

29 (d) The proceeds of any payments made by a public facilities
30 district to a city under this subsection (14) must be used by the
31 city to support community-initiated equitable development and
32 affordable housing programs, as determined by the city in its sole
33 discretion.

34 (15) (~~Fifty~~) 50 percent of any tax revenue collected by a
35 public facilities district as a result of the tax imposed in chapter
36 245, Laws of 2018 must be distributed by the public facilities
37 district to the county in which the convention and trade center is
38 located. However, if a city has satisfied the condition in subsection
39 (14)(b) of this section, payments made under this subsection to the
40 county in which the convention and trade center is located must be

1 calculated after deducting any payments made to a city under
2 subsection (14) of this section from the total tax revenue received
3 by the public facilities district as a result of the enactment of
4 chapter 245, Laws of 2018. The proceeds of such payments to a county
5 under this subsection (15) must be used by the county to support
6 community-initiated equitable development and affordable housing
7 programs, as determined by the county, in its sole discretion.

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