

FINAL BILL REPORT

EHB 2093

C 336 L 91
Synopsis As Enacted

Brief Description: Modifying authorized uses of the excise tax on lodgings.

By Representatives Locke, Miller, Anderson, Hine, Ferguson, Brough and Valle.

House Committee on Revenue
Senate Committee on Ways & Means

Background: The hotel/motel tax was first authorized in 1967 for King County to build the Kingdome. The rate was 2 percent, and was levied on the rental of hotel and motel rooms throughout the county. The legislature allowed the tax to be credited against the state sales tax rate. The 1973 Legislature extended this taxing authority to all cities and counties, and expanded the uses to include convention centers as well as sports facilities. Except as noted in the next paragraph, counties must allow cities levying the tax a credit against the county tax. Thus, with two exceptions, the total tax and the credit against the state sales tax may not exceed 2 percent anywhere in the state. The two exceptions occur in the cities of Bellevue and Yakima.

The 1975 Legislature enacted a restriction precluding cities in Yakima and King counties from levying the tax until bonds issued prior to 1975 by these counties are retired. However, Bellevue and the city of Yakima were excluded from this restriction, since they had already pledged tax revenues to bond payments when the Legislature enacted the restriction. In the cities of Yakima and Bellevue, both the city and county levy the tax and the total credit against the state sales tax rate is 4 percent.

In recent years, the Legislature has authorized additional local option hotel/motel taxes that are not credited against the state sales tax rate and has significantly expanded the uses of revenues. Bellevue, Pierce County and its cities, Ocean Shores, and Yakima county and its cities have additional local option authority. The 1982 Legislature authorized a state hotel/motel tax, currently levied at 6 percent in Seattle and 2.4 percent in King County outside of Seattle, to fund construction and operation of the Washington State Convention and Trade Center. Uses of the

basic 2 percent have also been expanded to include performing arts, visual arts, and tourism promotion.

There is currently some interest in revising the distribution of revenues from the basic 2 percent hotel/motel tax in King County. The 1986 Legislature capped the revenues to be used for the Kingdome at \$5.3 million/year, and directed that the excess be used for arts purposes. Under a King County ordinance, money dedicated to the arts must be split among three uses: 40 percent for an Arts and Cultural Education program, 40 percent for a Cultural Tourism and Enrichment program, and 20 percent for a Cultural Challenge Grant program.

However, revenue collections in King County have exceeded the predictions made when the cap was imposed, and various interest groups are now arguing that the excess should be split among the Kingdome, sports and tourism promotion, and arts purposes instead of just the arts. King County Executive Tim Hill proposed a split of the excess such that the arts would retain 50 percent, sports and tourism promotion would receive 17 percent, and the Kingdome would receive 33 percent.

Summary: From January 1, 1992 to December 31, 2000, revenues in excess of the \$5.3 million a year for Kingdome bonds are distributed as follows:

1. 75 percent to art museums, cultural museums, heritage activities and projects, the arts, and the performing arts; and
2. 25 percent for the following purposes in a manner reflecting the following order of priority: stadium capital improvement projects, acquisition of open space lands, youth sports activities, and tourism promotion.

From January 1, 2001 to December 31, 2012, revenues in excess of the \$5.3 million are distributed as follows:

1. 70 percent to art museums, cultural museums, heritage activities and projects, the arts, and the performing arts; and
2. 30 percent for the following purposes in a manner reflecting the following order of priority: stadium capital improvement projects, acquisition of open space lands, youth sports activities, and tourism promotion.

At least 70 percent of the revenues distributed to arts purposes from January 1, 1992 to December 31, 2000 must be used only for the purchase, design, construction, and remodeling of performing arts, visual arts, heritage, and cultural facilities, and for the purchase of fixed assets that will benefit art, heritage, and cultural organizations. Qualifying organizations must be financially stable and meet certain criteria. At least 40 percent of the revenues distributed to arts purposes from January 1, 2001 through December 31, 2012 must be used to establish an endowment. Only the interest from the endowment may be used to fund arts purposes. School districts and schools may not receive revenues distributed for arts purposes.

Moneys distributed for arts purposes and tourism promotion may not be used to replace any other funding by the county legislative body. Tourism promotion is defined to include activities intended to attract visitors for overnight stays; arts, heritage, and cultural events; and recreational, professional, and amateur sports events. Money for tourism promotion is to be given only to nonprofit organizations formed for the express purpose of tourism promotion in a class AA county and is to be used in all parts of the county.

The Seattle-King County Convention and Visitor Bureau may not use funds received from the hotel/motel tax to meet the match requirement for marketing the Washington State Convention and Trade Center. The authorization for counties that have pledged revenues to bonds sold before 1975 to preclude cities within the county from levying the tax is terminated when the existing bonds mature.

Votes on Final Passage:

House	98	0	
Senate	34	14	(Senate amended)
House			(House refused to concur)

Conference Committee

Senate	40	6
House	98	0

Effective: July 1, 1992