

HOUSE BILL REPORT

EHB 2093

As Amended by the Senate

Title: An act relating to distributing excise taxes on lodgings in counties that have, prior to June 26, 1975, pledged tax revenues or issued bonds for purposes of public stadium, convention, performing arts and/or visual arts center facilities.

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

Sponsor(s): Representatives Locke, Miller, Anderson, Hine, Ferguson, Brough and Valle.

Brief History:

Reported by House Committee on:
Revenue, March 10, 1991, DP;
Passed House, March 20, 1991, 98-0;
Amended by Senate.

**HOUSE COMMITTEE ON
REVENUE**

Majority Report: *Do pass.* Signed by 15 members: Representatives Wang, Chair; Fraser, Vice Chair; Holland, Ranking Minority Member; Wynne, Assistant Ranking Minority Member; Appelwick; Belcher; Brumsickle; Day; Leonard; Morris; Morton; Phillips; Rust; Silver; and Van Luven.

Staff: Robin Appleford (786-7093).

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, commonly referred to as the "double-dip."

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 hotel/motel tax revenues in King County. The 1986 and 1987 Legislatures 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 has 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 of Bill: From January 1, 1992, to December 31, 2000, the following amounts of King County hotel/motel revenues collected in excess of the \$5.3 million cap are to be used solely for art and cultural museums, the arts, and the performing arts:

CY 1992	\$828,000
CY 1993	\$1,318,000
CY 1994	\$1,848,000
CY 1995	\$2,420,000
CY 1996	\$3,037,000
CY 1997	\$3,704,000
CY 1998	\$4,424,000
CY 1999	\$5,202,000
CY 2000	\$6,042,000

Total \$28,823,000

Any revenues collected in excess of the above amounts are distributed as follows:

1. Fifty percent to art and cultural museums, the arts, and the performing arts; and
2. Fifty percent to one or more of the following: stadium capital improvement projects, tourism promotion, recreational sports activities, or promotion of professional and amateur sports. A portion of any moneys used for tourism and lodging promotion must be directed to benefit areas of the county outside of any city with a population greater than five hundred thousand.

Seventy percent of tax revenues spent for arts purposes must be used only for the purchase, design, construction, and remodeling of arts facilities, and the purchase of fixed assets that would benefit arts organizations. Arts facilities receiving proceeds of the tax must demonstrate financial stability and meet various criteria.

From January 1, 2001 through January 31, 2012, revenues collected in excess of \$5.3 million but not exceeding \$11.3 million are to be used only for arts purposes. Any revenues collected in excess of \$11.3 million are to be distributed as follows:

1. Sixty percent to art and cultural museums, the arts, and the performing arts; and
2. Forty percent to one or more of the following: stadium capital improvement projects, tourism promotion, recreational sports activities, or promotion of professional and amateur sports. A portion of any moneys used for tourism and lodging promotion must be directed to benefit areas of the county outside of any city with a population greater than five hundred thousand.

At least forty percent of the revenues distributed to the arts after January 1, 2001 must be deposited in an account and used to establish an endowment. Only interest earned on the account may be distributed for arts purposes. The authorization for counties who have pledged revenues to bonds sold before 1975 to preclude cities within the county from levying the tax is terminated December 31, 2012.

Tax revenues distributed to arts purposes may not be used to replace or supplant any other arts funding.

EFFECT OF SENATE AMENDMENT(S): 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 January 1, 2013 for Class AA counties only; this affects King county.

From January 1, 1991 through December 31, 2000, revenues in excess of the \$5.3 million are distributed as follows:

1. 75 percent to art museums, cultural museums, heritage activities and projects, the arts, and the performing arts;
2. 19 percent to stadium capital improvement projects; and
3. 6 percent to tourism promotion.

From January 1, 2001 through 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;
2. 26.5 percent to stadium capital improvement projects; and
3. 3.5 percent to tourism promotion.

Of the moneys for stadium capital improvement projects, \$500,000 a year must be used to fund the capital and operating costs of youth sports facilities owned and operated by a local government. No youth sport facility may qualify for funding unless (a) the local government provides matching funds equal to 25 percent of the total amount of funding required, and (b) the local government applies the moneys to expanding the use of facilities by persons younger than 18.

General purpose local governments may receive moneys for arts purposes. At least 19.5 percent of the revenues

distributed to arts purposes from January 1, 2001 through December 31, 2012 must be used to establish an endowment. Tourism promotion is defined to include activities intended to attract visitors for overnight stays, arts, heritage, and cultural events as well as recreational, professional, and amateur sports events. Moneys for tourism promotion are to be given only to nonprofit organizations formed for the express purpose of tourism promotion in a class AA county and are to be used in all parts of the county.

Fiscal Note: Requested March 1, 1991.

Effective Date: January 1, 1992.

Testimony For: In 1986, the Legislature guaranteed that the arts community would receive the excess above the amount needed to fund the Kingdome bonds. Now that the money is coming in, everyone wants it. Sports purposes are important, but so are the arts. The arts should receive at least the amount they expected to receive when the forecast of revenues was made in 1986. Art is an important part of our cultural heritage, and the bill would continue this aspect of our heritage.

Testimony Against: The issue has been unfairly characterized as a sports vs. arts issue. There are a number of legitimate needs, including improvements to the Kingdome as well as arts. The current bill does not adequately address all needs. Some of the money should also go to art and tourism needs outside of the downtown Seattle area.

Witnesses: Mayor Frank Hanson, City of Sea-Tac; Doug Sutherland, City of Sea-Tac City Manager; Charles Rolland, City of Seattle; Ron Main, Pat Steel, and Neil Campbell, King County; John Thompson, Sports Council; Joe Terzi, Seattle Sheraton; Carol Borgmann, Seattle Symphony; Steve Morris, Seattle-King County Conventions & Visitors Bureau; Fay Page, WSPTA; Patrick Curtin, Seattle Symphony; Cynthia Gibbs, Seattle Symphony; and B. Candy Gamble, King County Art Commission, Art & Cultural Education Advisory.

VOTE ON FINAL PASSAGE:

Yeas 98