

HOUSE BILL REPORT

HB 1449

As Reported By House Committee On:
Local Government

Title: An act relating to the additional special excise tax on lodging imposed in a county of less than one million population where the county is not required to provide a credit for city taxes under the original local special excise tax on lodging.

Brief Description: Modifying the special excise tax on lodging for certain counties under one million persons.

Sponsors: Representatives Edmondson and Rayburn.

Brief History:

Reported by House Committee on:
Local Government, February 12, 1993, DP.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 11 members: Representatives H. Myers, Chair; Bray, Vice Chair; Edmondson, Ranking Minority Member; Reams, Assistant Ranking Minority Member; Dunshee; R. Fisher; Horn; Rayburn; Romero; Springer; and Van Luven.

Staff: Steve Lundin (786-7127).

Background:

1. Basic local option tax.

Any county or city may impose the basic local option excise tax on hotel/motel room rental charges of up to 2 percent. This tax is a credit against the state sales tax that is imposed on such room rental charges. Receipts from this tax may only be spent on a variety of purposes, including stadiums, convention centers, and promoting tourism.

Every county that imposes this basic tax is required to provide a credit for same tax that is imposed by any city within the county. However, if prior to June 26, 1975, a county was imposing this tax and had pledged the tax receipts to retiring revenue or general obligation bonds, then: (a) the county does not have to provide the credit

for a city; and (b) no city in the county may impose this tax, unless it had imposed the tax prior to June 26, 1975.

The only situations where both a county and city in the same county impose this tax and the county does not provide a credit for the city tax are King County and Bellevue, and Yakima County and Yakima City.

2. One of the additional special taxes that presumably may only be imposed by cities in Yakima County other than Yakima City.

One of the other local option special excise taxes on hotel/motel room rental charges that has been authorized allows a county, and the cities in the county, to impose another 2 percent excise tax if the county is not required to provide a credit to cities under the basic special excise tax on hotel/motel room rental charges and the county has a population of less than 1 million. This only includes Yakima County and the cities located in Yakima County.

However, no city may impose this tax if it also is imposing the basic local option special excise tax on hotel/motel room rental charges. This eliminates the ability of Yakima City from imposing this tax. Further, no county may impose this tax unless cities in the county impose this tax that have at least one-half of the total incorporated population in the county. The city of Yakima has considerably over one half of the incorporated population in Yakima County. This eliminates the ability of Yakima County from imposing this tax.

It appears that, with these restrictions, the only entities able to impose this tax are cities in Yakima County other than Yakima City, and that Yakima City and Yakima County could not impose this tax.

No restrictions exist on the uses of receipts from this tax and this tax is imposed in addition to any other taxes that are imposed on the hotel/motel room rental charges.

Summary of Bill: The rate of the special local option excise tax on hotel/motel room rental charges that only may be imposed in the Yakima area, is increased from 2 percent to 3 percent.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The hotel industry supports this bill. Yakima wants to use this tax starting in 1995 to fund an enhanced convention center.

Testimony Against: None.

Witnesses: (pro) Richard C. Andres, Sheriffs Association; and Becky Bogard, Washington State Hotel/Motel Association.