

FINAL BILL REPORT

ESHB 1862

Synopsis as Enacted

C 389 L 93

Brief Description: Permitting a special excise tax on hotel, motel, roominghouse, and trailer camp charges for a trade recreation agricultural center in Pasco.

By House Committee on Revenue (originally sponsored by Representatives Mastin, Grant, Ludwig, Bray and Jacobsen).

House Committee on Revenue

Senate Committee on Ways & Means

Background: A special sales tax on hotel/motel room rentals 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.

In recent years, the Legislature has authorized additional state and local option hotel/motel taxes and has significantly expanded the uses of revenues. The newer local option taxes are not credited against the state sales tax rate.

The hotel/motel room rental sales taxes are:

- o **Every county, city and town** is authorized to impose a hotel/motel sales tax of up to 2 percent to finance a variety of facilities and programs, including the construction and operation of stadiums, convention center facilities, performing arts facilities, and visual arts center facilities, the refurbishment and operation of a steam railway for tourism purposes, and the promotion of tourism. This tax is a credit against the state sales and use taxes that are imposed on hotel/motel room rental charges. With certain exceptions, every county that imposes this basic tax is required to provide a credit for the same tax that is imposed by any city or town within the county. The only situations where both a county and city or town in the same county impose this tax and the county does not provide a credit for the city or town tax are King County and Bellevue, and Yakima County and Yakima City.

- o The **state** imposes hotel/motel sales taxes in **Seattle**, at a rate of 7 percent, and the **remainder of King County**, at a rate of 2.8 percent, to finance the State Convention Center.
- o **Bellevue** imposes a hotel/motel sales tax of up to 3 percent to finance a convention and trade center.
- o **Pierce County** imposes a hotel/motel sales tax of up to 2 percent to finance visitor and convention promotion and development purposes.
- o **Pierce County** is authorized to impose a hotel/motel sales tax of up to 3 percent to finance the construction and operation of an indoor aquatic facility. This tax is not currently being imposed.
- o A public facilities district in **Spokane County** imposes a hotel/motel sales tax of up to 2 percent to finance the construction and operation of convention, sports, entertainment, trade, and related facilities.
- o By a somewhat general description, **cities and towns in Yakima County**, other than the city of Yakima, are authorized to impose a hotel/motel sales tax of up to 2 percent to finance stadiums, convention centers, performing arts facilities, and visual arts facilities, and to advertise and publicize for the promotion of tourism. Taxes are not currently being imposed under this authority.
- o Any city bordering the Pacific Ocean with a population of at least 1,000, and the county in which such city is located, may impose a hotel/motel sales tax of up to 3 percent. This classification appears to include Pacific County, Long Beach, Grays Harbor County, Ocean Shores, Westport, and perhaps others. Receipts from this tax may be expended for the construction and operation of convention centers, performing arts centers, and visual arts facilities, and for the promotion of tourism. Any city tax is credited against the county tax so that the total tax rate cannot exceed 3 percent. Currently, only **Ocean Shores** and **Westport** are imposing this tax.

In 1990, a hotel/motel tax imposed by Thurston County was ruled unconstitutional by the Thurston County Superior Court. The court held that the statute authorizing the tax, which referred to Thurston County by name, was special legislation in violation of Article II, section 28 of the state constitution. Statutes that use general definitions to define a class of governmental entities have also been found unconstitutional by the courts when: (1) the statute

defines a "closed" class, for which there is no possibility that additional members may enter the class in the future; or (2) the court determines the Legislature did not have a good reason to exclude entities from the class.

Summary: A city with a population of over 10,000 in a county that is the smallest county in a metropolitan statistical area, as defined on the effective date of this act, that has a population of between 38,000 and 50,000, is authorized to impose a special 2 percent sales tax on hotel/motel room rentals. This class appears to include only Pasco.

Revenues from the tax may be used for siting, acquisition, construction, operation, and maintenance of a trade recreation agricultural center, including an exhibition hall, a meeting and convention center, and an agricultural arena. The tax ends when all obligations for which the taxes have been pledged are satisfied.

Votes on Final Passage:

House	89	8	
Senate	40	7	
House			(House refused to concur)

Conference Committee

Senate	32	8
House	81	16

Effective: July 25, 1993