

January 19, 1998

BILL ANALYSIS

TO: Members, Committee on Trade and Economic Development

FROM: Kenny Pittman, Research Analyst (786-7392)

RE: **HB 2291 - Allowing lodging tax revenues to be used for public restrooms, parking, other tourism-related facilities, or law enforcement in distressed areas.**

BACKGROUND:

A hotel-motel- tax is a special sales tax on lodging rentals by hotel, motels, rooming houses, private campgrounds, RV parks, and similar facilities. The hotel-motel tax was first authorized in 1967 for King County to build the Kingdome. The rate was 2 percent, but the tax was credited against the regular state sales tax which is imposed on lodging charges (state-shared). Therefore, the total amount of tax paid by the consumer was not increased as a result of this tax. Authority to impose a hotel-motel tax was broadened, first in 1970 to include the cities of Tacoma and Spokane, and then in 1973 to include all municipalities (counties, cities, and towns) except some in King and Yakima counties.

The Legislature has authorized municipalities to impose a local-option hotel-motel tax. These local-option hotel-motel taxes are not credited against the state sales tax on lodging so the additional tax is paid by the consumer.

All revenue collected from the 2 percent state-shared and the local-option hotel-motel taxes must be used solely to pay all or any part of the cost of tourism promotion, acquisition of tourism related-facilities, or operation of tourism-related facilities.

SUMMARY:

Any county that is or contains an eligible area or any city within that county may use the 2 percent state-shared hotel-motel tax or their local-option hotel-motel tax for public restrooms, parking facilities, or other tourism-related facilities, or law enforcement activities related to tourism.

Eligible area- means:

- . A county with an unemployment rate that is 20 percent above the state average for the immediately preceding 3 years; or
- . A county with a median household income that is less than 75 percent of the state median household income for the previous 3 years; or
- . A metropolitan statistical area (MSA) in which the average level of unemployment for the calendar year immediately preceding exceeds the state average unemployment for the calendar year by 20 percent; or
- . A designated community empowerment zone, or a county containing a community empowerment zone; or
- . A town with a population of less than 1,200 in those counties that are located in timber impact areas; or
- . A county designated by the Governor as an eligible area as a result of natural disaster, business closure, military base closure, or mass layoff; or
- . A county that is contiguous to a county that qualifies as an eligible area under (1) or (6).

Appropriation: None.

Fiscal Note: Not requested.

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