

HOUSE BILL REPORT

HB 1531

As Reported by House Committee On:
Finance

Title: An act relating to the taxation of lodging.

Brief Description: Modifying the taxation of lodging.

Sponsors: Representatives Morris and Cairnes.

Brief History:

Committee Activity:

Finance: 2/4/02, 2/11/02 [DP2S].

Brief Summary of Second Substitute Bill

- Exempts lodging furnished for continuous period of one month or more from sales taxes.

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 11 members: Representatives Gombosky, Chair; Berkey, Vice Chair; Cairnes, Ranking Minority Member; Conway, Morris, Nixon, Orcutt, Roach, Santos, Van Luven and Veloria.

Staff: Bob Longman (786-7139).

Background:

State and local sales taxes apply to lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. Hotel-motel taxes are special sales taxes on lodging rentals.

Lodging rentals are subject to sales and hotel-motel taxes when the period of occupancy is less than 30 days. When the period of occupancy is 30 days or more, the transaction is considered a rental or lease of real property and is exempt from tax.

Summary of Second Substitute Bill:

The furnishing of lodging and all other services for a continuous period of one month or more constitutes a rental or lease of real property, and is exempt from tax. Continuous occupancy of a specific lodging unit by the same person is no longer required.

Second Substitute Bill Compared to Original Bill:

More clearly describes continuous rentals that are exempt from sales tax. Applies bill retroactively to September 1, 2001.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Airlines and other companies frequently rent a block of rooms for their traveling employees. These rentals are for more than 30 days. Some Department of Revenue auditors interpret the exemption as only applying when specific rooms are rented for more than 30 days. Other auditors are more flexible. It is often impractical to reserve specific rooms. For example, non-smoking employees should have non-smoking rooms. It may be necessary to change the specific room reservations to accommodate other employee needs. This bill clarifies that the exemption is based on the furnishing of lodging for more than 30 days rather than upon the occupancy of specific rooms. This will provide a uniformly applied rule that is fair to all. The Department of Revenue agreed to place disputed tax assessments on hold until the legislature can act during the 2002 session. If the Legislature grants relief for this issue retroactively, these assessments will be cancelled.

Testimony Against: None.

Testified: David Thompson, West Coast Hotels; Becky Bogard, Washington State Hotel and Lodging Association; Joe Daniels, city of Seattle; and Claire Hesselholt, Department of Revenue.