

SENATE BILL REPORT

SB 5894

As Reported By Senate Committee On:
Ways & Means, March 26, 2001

Title: An act relating to the taxation of lodging.

Brief Description: Modifying the taxation of lodging.

Sponsors: Senators Patterson and Rossi.

Brief History:

Committee Activity: Ways & Means: 2/20/01, 3/26/01 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5894 be substituted therefor, and the substitute bill do pass.

Signed by Senators Brown, Chair; Constantine, Vice Chair; Fairley, Vice Chair; Fraser, Hewitt, Honeyford, Kohl-Welles, Parlette, Rasmussen, Regala, Roach, Rossi, Sheahan, B. Sheldon, Snyder, Spanel, Winsley and Zarelli.

Staff: David Schumacher (786-7474)

Background: The retail sales tax is imposed on the sale of most items of tangible personal property and some services purchased at retail. The state's retail sales and use tax is based on 6.5 percent of the selling price. Local governments may also impose additional taxes; so the combined state and local retail sales tax rate currently ranges from 7.0 percent to 8.6 percent.

Hotel-motel- taxes are special sales taxes on lodging rentals. Some hotel-motel taxes are credited against the state sales tax rather than being added to rental charges paid by customers. Other hotel-motel taxes are imposed in addition to ordinary state and local sales taxes and are added to the amount paid by the customer.

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 therefore exempt from all sales and hotel/motel- taxes.

The Department of Revenue's policy is that in order for the exemption as rental of real estate to apply, use of the same rooms or block of rooms must occur on a continuing basis for a month or longer.

Summary of 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.

Substitute Bill Compared to Original Bill: The original bill was not considered.

Appropriation: None.

Fiscal Note: Available.

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

Testimony For: Companies with airline and railroad crews often enter into long-term agreements with hotels to offer rooms. This bill would make it clear that the hotel does not have to offer the exact same rooms to qualify.

Testimony Against: None.

Testified: PRO: Becky Bogard, Washington Hotel and Lounging Association; Linda Hull, Air Transport Association; Joe Daniels, City of SeaTac.