

# SENATE BILL REPORT

## SB 5668

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As Reported By Senate Committee On:  
Economic Development, March 5, 2003

**Title:** An act relating to the use of hotel-motel taxes for tourism promotions.

**Brief Description:** Modifying hotel-motel tax provisions.

**Sponsors:** Senators Sheahan, Shin, T. Sheldon, Hewitt, Reardon, Benton, Prentice, Schmidt, Hale and Winsley.

**Brief History:**

**Committee Activity:** Economic Development: 2/14/03, 3/5/03 [DPS].

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### SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

**Majority Report:** That Substitute Senate Bill No. 5668 be substituted therefor, and the substitute bill do pass.

Signed by Senators T. Sheldon, Chair; Zarelli, Vice Chair; Benton, Hale, Rossi, Schmidt and Shin.

**Minority Report:** Do not pass.

Signed by Senator Kohl-Welles.

**Staff:** Alison Mendiola-Hamilton (786-7576)

**Background:** A legislative body of a city or county may impose a lodging tax, not to exceed 2 percent (or 4 percent for specific areas). Revenue from this tax is to be used for tourist-related activities.

Any municipality with a population of at least 5,000 must establish a lodging tax advisory committee, with at least five members, before proposing a new lodging tax, an increase in the rate of tax, repeal of an exemption, or a change in the use of revenue. Prior to making any changes, the municipality is to submit a proposal to the lodging tax advisory committee for review.

**Summary of Substitute Bill:** Any municipality that imposes a lodging tax, or a change to the tax, where more than \$5,000 was generated under the fund during the previous year, must establish a lodging tax committee, composed of up to seven members. One elected official of the municipality serves on the committee.

A municipality submits a proposal to the committee for review, comment, and approval. A municipality may accept or reject proposals from the committee, but may not add to the approved proposal list.

The committee recommends the use of at least 75 percent of the funds generated every year. Funds pledged and not used within seven years revert back to the fund. All multi-year allotments are reviewed by the committee and submitted to the legislative authority of the municipality for its approval. This process does not apply to allotments made to secure financing or retire debt for a tourist-related facility.

Under the definition of "tourism-related facility," funding is limited to facilities primarily intended to attract tourists.

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

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** This bill was written with the input of many chambers of commerce. The intent of this bill is to address the misappropriation of lodging tax revenue. If the money is used properly, the investments will stimulate the economy. The focus should be to attract overnight tourists since they stay longer and spend more money. Money should be used to put "heads in bed." Washington is ranked 44th in its efforts to promote tourism. Therefore, more should be done to ensure the money is spent appropriately. While there may have been abuses of the fund in the past, this issue has been blown out of proportion in light of the funding shortage municipalities are experiencing.

**Testimony Against:** Private businesses should not be able to regulate the use of public money. This bill accomplishes the exact opposite of what the proponents want to achieve, as more strings are attached to the funding. The term "familiarization" tours is not defined and is synonymous with "hosting." The use of public money for hosting raises constitutional issues. This bill contains a conflict of interest; those who benefit from the funding should not be in a position to decide how the money is spent. Day visitors can also bring in a lot of revenue. Day visitors can turn into overnight visitors. To not acknowledge performing arts as tourism is a mistake, because cultural tourism is real. **CONCERNS:** Ultimately the commissioner is responsible for how the money is used, and is subject to the scrutiny of the county auditor. Control of funds should not be within the power of the committee, a group of non-elected persons.

**Testified:** Bev Waver, Leavenworth Chamber (pro); Karl Ruether, Leavenworth Lodging Assn. (pro); Jim Justin, AWC (con); Ted Gathe, Jan Bader, City of Vancouver (con); Scott Husill, City of Leavenworth (con); Cathie Butler, City of Olympia (con); Kathy Moore, Silver Cloud Inn, TCVCB (pro); Silvia Klatman, Bremerton Area Chamber of Commerce (pro); Jeff Foy, Doubletree Hotel, Spokane Valley (pro); Tom Iovanne, WA Center for the Performing Arts (con); Robert Schneider, Admiral Theater Foundation (con); Becky Bogard, WA Assn. of Convention & Visitors Bureaus (pro w/concerns); Joe Daniels, City of Sea Tac (concerns); Jan Simon, WA State Hotel & Lodging Assn. (pro); Dave Schulz, County Commissioner, Okanogan County (pro); Todd Mielke, Spokane Public Facilities District (concerns).