

# SENATE BILL REPORT

## ESSB 6026

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As Passed Senate, March 18, 2003

**Title:** An act relating to authorizing special assessments to fund convention and tourism promotion.

**Brief Description:** Authorizing special assessments to fund convention and tourism promotion.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senator West).

**Brief History:**

**Committee Activity:** Ways & Means: 3/10/03 [DPS].

Passed Senate: 3/18/03, 41-8.

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6026 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Zarelli, Vice Chair; Fairley, Hale, Johnson, Parlette, Regala, Sheahan, B. Sheldon and Winsley.

**Staff:** Catherine Suter (786-7442)

**Background:** Washington currently has three local sales and use taxes on lodging of less than one month. These are commonly referred to as "hotel-motel" taxes.

The first is a maximum 2 percent tax for any tourism-related purpose. Cities and counties may levy this tax, but not both in any one jurisdiction, and it is credited against the state sales tax, thereby not increasing the final charge to customers. In 2001, 134 cities and 38 counties levied this tax.

The second is a maximum 2 percent tax, if imposed in 1997 or later, and maximum 3 percent if imposed before 1997. Cities and counties may levy this, and it is independent of the state sales tax, thereby being an additional charge to customers. This tax is for the promotion of tourism or construction and operation of tourism-related facilities. In 2001, 91 cities and 18 counties levied this tax.

The third is specifically for the Washington State Convention and Trade Center. The rate of this tax is 7 percent in Seattle and 2.8 percent in the remainder of King County, and applies only to facilities with 60 or more lodging units.

In general, cities and counties may impose these hotel-motel taxes as long as the total sales tax rate, when combined with other state and local sales taxes, does not exceed 12 percent. Because of exceptions to this general rule, some combined rates exceed 12 percent. For example, the total combined sales tax rate on lodging in Seattle is 15.6 percent, and in Bellevue is 14.4 percent. In most other areas of King County, it is 12.4 percent.

Counties and incorporated cities and towns may levy special assessments and establish parking and business improvement areas (PBIA) for the development and maintenance of parking facilities and public events to benefit that area. Businesses, multifamily residences, and mixed-use projects representing at least 60 percent of the property assessments must support the establishment of the PBIA by means of a petition.

**Summary of Bill:** Counties and incorporated cities and towns may impose a convention and tourism promotion charge in PBIA that are in counties of populations between 400,000 and one million. Currently, Spokane, Pierce, and Snohomish counties are this size. The charge may be up to \$2 per night on lodging, and may vary in a given PBIA in terms of nights of stay. Variations must be according to no more than six classifications, based on number of rooms, room revenue, and location in the PBIA.

Exemptions that apply to lodging taxes apply to this charge.

The Department of Revenue must collect and administer the charge at no cost to the local government, and the "convention and tourism promotion account" is established in the state treasury.

**Appropriation:** None.

**Fiscal Note:** Requested on March 6, 2003.

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

**Testimony For:** Marketing funds in the Spokane area are needed desperately; hotels are losing money and therefore jobs. The city's downtown is improving, though this needs to continue. Spokane hotels have voted to establish a parking and business improvement district already, and this additional measure would also be voluntary.

**Testimony Against:** None.

**Testified:** PRO: Ron Anderson, Spokane Hotel-Motel Association; Lloyd Kirsch, West Coast Hospitality; John Brewer, Spokane Regional Convention and Visitors Bureau.

Note: Julie Sexton, Department of Revenue, testified with technical concerns: as the bill is written, it is unclear if this is a property tax or a fee. If it is a property tax, it cannot vary within a jurisdiction. There is no provision for enforcement authority, and therefore there are potential expenditure costs for the department.

**House Amendment(s):**

- Only lodging businesses with 40 or more rooms may impose this charge.
- Eligibility for counties is expanded to those with populations between 50,000, as opposed to 400,000, and one million.
- An interlocal agreement is required for a county to establish a promotion area in a city and for a city to establish a promotion area in a county.
- In order to create a tourism promotion area, an initiation petition by 60 percent of the potential lodging businesses must be submitted to the legislative authority. An area cannot be created by a resolution adopted solely on the legislative authority's own initiative. The

formalities to create the area, including the hearing requirements and ordinance requirements are enumerated.

- A local tourism promotion account is created in the custody of the State Treasurer, who will disburse the proceeds to the proper jurisdictions on a monthly basis.