

SENATE BILL REPORT

SB 6026

As Reported By Senate Committee On:
Ways & Means, March 10, 2003

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

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

Sponsors: Senator West.

Brief History:

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

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.

Summary of Substitute Bill: Cities, towns, and counties are authorized to levy a special assessment on lodging of up to \$2 per room, per night. Proceeds of the assessment are used for the promotion of conventions and tourism in the area, including activities such as advertising, operating tourism agencies, and marketing special events and festivals. Only counties, and cities and towns that are within them, of a population between 400,000 and 1,000,000 are eligible. Pierce, Snohomish, and Spokane counties fall within these population parameters. Special assessment rates may vary within an area, based on location and the anticipated revenue that a lodging business will derive as a result of the promotions. The Department of Revenue collects the special assessments along with local sales and use tax collections, and administers the collection at no charge to the city, town, or county.

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

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.