HOUSE BILL REPORT
SHB 3206

As Passed House:
February 18, 2008

Title: An act relating to the information required to be reported in the annual economic impact report on lodging tax revenues.

Brief Description: Concerning the information required to be reported in the annual economic impact report on lodging tax revenues.

Sponsors: By House Committee on Community & Economic Development & Trade (originally sponsored by Representatives Kenney, Haler, Rolfes and Santos).

Brief History:
Committee Activity:
Community & Economic Development & Trade: 1/31/08, 2/4/08 [DPS].
Floor Activity:
Passed House: 2/18/08, 94-1.

Brief Summary of Substitute Bill

- Requires that annual economic impact reports on the expenditure of lodging tax revenues for tourism promotion purposes include those expenditures made by local jurisdictions as well as those made by nonprofit organizations.
- Eliminates the requirement that the reports include data on the estimated increase in sales and use tax revenues attributable to special events, festivals, or tourism related facilities.
- Requires reporting to begin with calendar year 2008.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Bailey, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Chase, Darneille, Haler, Rolfes and Sullivan.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Meg Van Schoorl (786-7105).

Background:

Lodging Tax
The lodging tax, also known as the local hotel-motel tax, is applied to charges for lodging at hotels, motels, rooming houses, private campgrounds, recreational vehicle parks, and similar facilities for continuous periods of less than one month. The tax rate is up to 2.0 percent and all cities and counties that levy the tax have adopted the maximum rate. The tax is credited against the state retail sales tax of 6.5 percent in order to prevent the customer from incurring an additional tax.

Initially authorized in 1967 to provide King County with a funding source for the building of the KingDome, the lodging tax was incrementally expanded over the years to cover additional cities, counties, and uses. In 1997 the Legislature repealed the assortment of multiple uses for the lodging tax and instead required the future revenues to be used for tourism-related purposes.

Tourism Promotion Expenditures
Substitute Senate Bill 5647, enacted during the 2007 Legislative Session, expanded the definition of "tourism promotion" so that lodging tax revenues could be used to make operating expenditures for tourism promotion and for special events and festivals designed to attract tourists. The definition of "tourism-related facility" also was modified to include property that is owned by a public entity or by a nonprofit organization including 501(c)(6) organizations such as chambers of commerce, destination marketing organizations, and main street organizations.

Substitute Senate Bill 5647 also required local governments that use the lodging tax revenues to submit annual economic impact reports to the Department of Community, Trade and Economic Development (DCTED) beginning January 1, 2008. Included in the information that must be reported is the amount of revenue spent on each tourism-related activity or facility owned by a nonprofit organization, and the estimated number of tourists and lodging stays generated by the activity or facility owned by a nonprofit organization.

Summary of Substitute Bill:

A local jurisdiction that uses lodging tax revenues for tourism promotion must submit an annual economic impact report to the DCTED for expenditures made beginning January 1, 2008. The report must contain expenditure information for both the local jurisdiction and for section 501(c)(3) and section 501(c)(6) nonprofit organizations. The report must include a list and data on festivals, special events or facilities sponsored or owned by the local government or nonprofit organizations. The requirement that the report include data on the estimated increase in sales and use tax revenues attributable to special events, festivals, or tourism-related facilities is eliminated. Reporting is required to begin with calendar year 2008 and must include expenditures made beginning on January 1, 2008.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) Tourism creates jobs and has an important economic impact on communities. This bill, agreed to by local governments and tourism organizations, strengthens the accountability measures in the 2007 tourism promotion law by fixing some recognized holes in data reporting. Beginning with 2008, local jurisdictions will have to report their expenditures of lodging tax dollars just as nonprofit organizations must. Local governments and tourism-related nonprofit organizations will be back in 2012 or 2013 when the program is due to sunset, and will want to see it extended. So it is important for us to ensure that the Legislature has meaningful, complete information with which to make the decision. On the other hand, we have found unworkable the required reporting of estimated sales tax increases due to tourism. We would rather not mislead the Legislature with estimates that are sketchy at best, so the bill eliminates the requirement.

(Opposed) None.

Persons Testifying: Representative Kenney, prime sponsor; Becky Bogard, Washington Association of Convention Visitors Bureaus; Jim Justin, Association of Washington Cities; and Marie Sullivan, Department of Community, Trade and Economic Development.

Persons Signed In To Testify But Not Testifying: None.