

SENATE BILL REPORT

SB 6638

As Amended by House, March 12, 2008

Title: An act relating to reallocation of existing lodging taxes for support of heritage and arts programs in a county with a population of one million or more.

Brief Description: Reallocating existing lodging taxes for heritage and arts programs in a county with a population of one million or more.

Sponsors: Senators Murray, Roach, McAuliffe, Kohl-Welles, Fairley, Kline, Kauffman, Jacobsen, Eide and Pflug.

Brief History:

Committee Activity: Ways & Means: 1/30/08, 2/12/08 [DP, DNP, w/oRec].

Passed Senate: 2/19/08, 44-5.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Hatfield, Hewitt, Hobbs, Keiser, Kohl-Welles, Parlette, Rasmussen, Regala, Roach and Rockefeller.

Minority Report: Do not pass.

Signed by Senator Tom.

Minority Report: That it be referred without recommendation.

Signed by Senators Carrell and Schoesler.

Staff: Dean Carlson (786-7305)

Background: A hotel-motel tax is a special sales tax on lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. Cities and counties are authorized to levy a basic, or "state-shared," hotel-motel tax of up to 2 percent. These taxes are credited against the state sales tax on the furnishing of lodging. 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. The latter type are often referred to as "special" hotel-motel taxes.

Beginning in 1989, the hotel-motel tax in King County not only applied to servicing the debt on the Kingdome, but a portion of the tax revenues above \$5.3 million per year was dedicated to arts and heritage programs in King County. Currently, 70 percent of the excess revenue is

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dedicated to the arts and heritage programs; however, 40 percent of the arts revenue is for the arts endowment fund, of which the principal cannot be touched. The remaining 30 percent of the revenue in excess of \$5.3 million is dedicated first to retiring the Kingdoms debt, then to acquisition of open space lands, youth sports activities, and tourism promotion. This is to continue until the Kingdoms debt is retired, then the full portion of the local hotel-motel tax in King County is dedicated to retiring the debt on Qwest Field. Beginning in 2012, the only known source of funding for the arts and heritage programs in King County is the earnings of the arts endowment.

Summary of Bill: The 40 percent distributions of arts and heritage funds from the hotel-motel tax is no longer distributed to the endowment fund, but instead is distributed to an account dedicated to art museums, cultural museums, heritage museums, and heritage and preservation programs.

At the time the bonds used to pay for the repairs to the Kingdoms are retired, the county hotel-motel tax will be distributed into the account dedicated to the arts and heritage programs until December 31, 2015. The bonds are expected to be retired in late 2014.

Beginning January 1, 2021, at least 37.5 percent of the county hotel-motel tax revenues will be distributed to the account dedicated to the arts and heritage programs.

Appropriation: None.

Fiscal Note: Requested on January 23, 2008.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2008.

Staff Summary of Public Testimony: PRO: Without this bill, 75 percent of art funding in King County will go away. 4 Culture is an impressive organization and has many great projects. This funds art projects in all legislative district in King County. This funds almost 300 organizations. Tourists come here to see our arts, and this benefits the hotels. We would like to turn the endowment into bridge funds when we have no funding. Most of our grants are small, but are critical to the organizations we fund. We would like to protect the 18 years we have invested in King County. This helps little people do important, wonderful things.

Persons Testifying: PRO: Senator Murry, prime sponsor; Bill Finkbeiner, 4 Culture; Margaret Lowe, 4 Culture; Louis Miller, 4 Culture; Linda Peterson, South King County Cultural Coalition.

House Amendment(s): Expires changes made to hotel-motel tax in section 2 of the bill on July 1, 2009.