

SENATE BILL REPORT

2SHB 1290

As Reported by Senate Committee On:
Economic Development, Trade & Innovation, March 25, 2009

Title: An act relating to local tourism promotion areas.

Brief Description: Concerning local tourism promotion areas.

Sponsors: House Committee on Finance (originally sponsored by Representatives Maxwell, Rodne, Kenney, Green, Clibborn, Lias, Anderson and Hunter).

Brief History: Passed House: 3/11/09, 83-13.

Committee Activity: Economic Development, Trade & Innovation: 3/19/09, 3/25/09 [DP].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: Do pass.

Signed by Senators Kastama, Chair; Shin, Vice Chair; Zarelli, Ranking Minority Member; Delvin, Eide, Kilmer and McCaslin.

Staff: Philip Brady (786-7460)

Background: Washington currently has four 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 tourism-related purposes; the second is a maximum 2 percent tax, which is credited against the state sales tax, for promotion of tourism or construction and operation of tourism-related facilities; the third, specifically for the Washington State Convention and Trade Center, is charged at 7 percent in Seattle and 2.8 percent for the rest of King County, and applies only to facilities with at least 60 lodging units; and the fourth is for tourism promotion areas.

Tourism promotion areas were created by the Legislature in 2003. Counties of populations between 40,000 and one million, and incorporated cities and towns within them, may establish a tourism promotion area if the legislative authority receives an initiation petition by the businesses that would pay 60 percent of the increased taxes. 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 an unincorporated part of a county. The tourism promotion area can only be created by ordinance after one or more hearings.

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.

Within a tourism promotion area, the city or county legislative authority may impose a lodging furnishing charge of up to \$2 per night from persons who are taxable by the state under chapter 82.08 RCW (retail sales tax). The charge may vary in an area, according to no more than six classifications based on number of rooms, room revenue, and location in the area, and applies only at lodging businesses with at least 40 rooms.

The Department of Revenue (DOR) administers the charge.

Summary of Bill: Counties with populations greater than one million may create tourism promotion areas if two or more jurisdictions operating under an interlocal agreement seek the establishment of the tourism promotion area. The legislative authority must contract with DOR to administer the charge before the effective date of the establishing ordinance, and DOR may deduct a percentage for administrative costs, as provided in the contract.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: Tourism promotion areas (TPA) have been highly successful elsewhere, and this bill will level the playing field by allowing King County to participate like the rest of the state. Businesses want to create jobs and business by taxing themselves through a self-imposed assessment. Representatives from areas currently using TPAs testified on the House floor that they've been great economic development tools, and many members of the National League of Cities have expressed an interest in a similar program.

Persons Testifying: PRO: Representative Maxwell, prime sponsor; Jim Pearman, Mayor of Mercer Island; Steve Buckner, Rowley Properties.