SENATE BILL REPORT
SB 5265

As Reported by Senate Committee On:
Economic Development, Trade & Innovation, February 12, 2009

Title: An act relating to local tourism promotion areas.

Brief Description: Concerning local tourism promotion areas.

Sponsors: Senators Jarrett, Oemig and Shin.

Brief History:
Committee Activity: Economic Development, Trade & Innovation: 2/11/09, 2/12/09 [DPS-WM].

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & INNOVATION

Majority Report: That Substitute Senate Bill No. 5265 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.
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 for promotion of tourism or construction and operation of tourism-related facilities; the third is specifically for the Washington State Convention and Trade Center, is charged at 7 percent in Seattle, 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.

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 administers the charge.

Summary of Bill (Recommended Substitute): Counties with populations greater than 1 million may create tourism promotion areas if two or more jurisdictions operating under an interlocal agreement seek the establishment of the tourism promotion area.

EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT, TRADE & INNOVATION COMMITTEE (Recommended Substitute): All exemption language is stricken. King County may now participate in the same tourism promotion area program as the rest of the state, provided at least two legislative authorities receive an initiation petition from enough taxable businesses.

In the original bill, hotels and motels in King County would have had the option of opting out of taxation. New hotels or motels built after the creation of a TPA would have been automatically exempt unless they petitioned to be included in the tax.

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 on Original Bill: PRO: East King County is becoming a vacation destination. Everyone in Washington except for King County can form TPAs, and its time to level the playing field. Tourism Promotion Areas (TPAs) have proven to be very effective in Spokane, Vancouver, and Yakima, and hoteliers in King County want to try this program. It has been very successful at economic development elsewhere. The bill is good, but the exemption provisions are unnecessary because 60 percent of taxable businesses must ask for a TPA. It also sets a dangerous precedent for areas that will be revamping their TPAs. King County was only excluded initially because hoteliers didn't see the benefit to themselves and because they have a high tax rate. They now want to participate. Tax rates are set by the hotels through a negotiation, and hotels are taxing themselves rather than government taxing private enterprise.

Persons Testifying: PRO: Sim Penrmitw, Bainbridge; Steve Buckner, Rowley Properties; Becky Bogard, Washington Association of Convention and Visitors' Bureaus.