

SENATE BILL REPORT

SB 6116

As Reported by Senate Committee On:
Ways & Means, April 18, 2009

Title: An act relating to excise taxes in a county with a population of one million five hundred thousand or more.

Brief Description: Funding arts and heritage programs, tourism promotion, youth sport activities, regional centers, publicly owned stadiums, community development, and low income housing in a county with a population of one million five hundred thousand or more.

Sponsors: Senators Murray and Kohl-Welles.

Brief History:

Committee Activity: Ways & Means: 3/18/09, 4/18/09 [DPS, DNP].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6116 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Hewitt, Hobbs, Keiser, Kline, Kohl-Welles, McDermott, Murray, Parlette, Pflug, Pridemore, Regala and Rockefeller.

Minority Report: Do not pass.

Signed by Senators Tom, Vice Chair, Operating Budget; Carrell, Honeyford 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 other 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 is often referred to as a "special" hotel-motel tax.

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.

A county hotel-motel tax must allow a credit for the amount of any tax levied by the cities within the county, thus precluding both the city and county tax from applying to the same lodging transaction. Except for the city of Bellevue, cities in King County cannot impose a basic hotel-motel tax until January 1, 2021. Thereafter, cities may impose the tax and the county will only receive revenues generated in the unincorporated areas.

In King County the 2 percent state-shared hotel-motel tax is used for retiring the debt on the Kingdome, arts and heritage programs, and after 2015 (or earlier if the debt is repaid) for repaying the debt on the football stadium and exhibition center and for youth athletic facility grants to cities, counties, or nonprofit organizations if sufficient money is available.

In 1995 the Legislature authorized financing for a new baseball stadium in King County. The state's contribution included a credit against the state sales tax of 0.017 percent of taxable retail sales in King County, sports themed lottery revenues, and commemorative ballpark license plates. King County was authorized to impose a special 0.5 percent sales tax on food and beverages in King County restaurants, taverns, and bars; a 2 percent sales tax on car rentals in King County; and admission taxes at the new ballpark. The baseball team also contributed to the construction of the facility. The 0.017 percent sales tax credit, the 0.5 percent tax on restaurant meals, the lottery revenue, and the 2 percent car rental tax all end when construction bonds are paid.

In 1997 Referendum 48 authorized the financing of a new football stadium in King County. The state's contribution included a credit against the state sales tax of 0.016 percent of the taxable retail sales in King County and sports themed lottery. As mentioned previously, the state shared hotel-motel tax was also dedicated to the stadium from the years of 2016-2021. Additionally a parking tax and admissions tax were allowed at the stadium.

All counties are authorized to impose a 1 percent car rental tax. The revenue from the 1 percent car rental tax may be used for public stadium facilities, and youth or amateur sports activities or facilities.

Summary of Bill (Recommended Substitute): The bill creates a special account in King County for purposes of:

- tourism promotion;
- youth or amateur sports activities or facilities;
- regional centers;
- performing art centers;
- maintaining or approving publicly owned stadiums or arenas; and
- funding community preservation and development authorities.

Beginning 2013, as necessary, funding must be provided for maintenance of Safeco Field.

King County Taxes. State Shared Hotel-Motel Tax. After the Kingdome bonds are paid (expected to be late 2014) and until 2016, half the money goes to low-income housing around transit centers and half to arts and heritage programs. In 2021, 37.5 percent goes to arts and heritage programs and 37.5 percent goes to the low-income housing. The remainder goes to the special account.

Beginning in 2015, 0.75 percent of 1 percent rental car tax goes to the special account.

The 2 percent rental car tax is extended and the 0.5 percent food and beverage tax is extended through 2015. The funds go into the special account, however, if by 2013 the City of Seattle has a lease with an NBA team then those taxes raised within Seattle must go to pay for bonds for necessary improvements to Key Arena.

The 0.016 percent and 0.017 percent credit against the state portion of the sales tax continues until there are more state distributions to public facility districts. These revenue go into the special account.

The 2 percent state shared hotel-motel tax that Yakima County imposes within the City of Yakima is extended from 2021 to 2035.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute): After the Kingdome bonds are paid off, half of the hotel-motel tax monies are for low-income housing. Beginning in 2021, 37.5 percent of hotel-motel tax in King County will go to low income housing. Beginning in 2013, as necessary, funding is provided for Safeco Field maintenance. If by 2013 the city of Seattle has a lease with an NBA team the 2 percent car rental tax and the King County food and beverage tax raised within Seattle must go to pay for bonds for necessary improvements to Key Arena. The 2 percent state shared hotel-motel tax that Yakima County imposes within the city of Yakima is extended from 2021 to 2035. The 0.016 percent and 0.017 percent credits against the state sales tax must be ended when there is no more public facility district distributions going out to any other jurisdiction.

Appropriation: None.

Fiscal Note: Requested on March 14, 2009.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect on July 1, 2009.

Staff Summary of Public Testimony on Original Bill: PRO: This bill will provide local control on these taxes and they will provide economic vitality. It will also provide state control in regards to arts and heritage programs. Federal Way is in support of the bill as we are trying to build a performing arts center. We are committed to this project.

Seattle is looking for a funding source for improvements to the Seattle Center. We would ask that you dedicate some of the revenues to Seattle Center. The Mariners are in favor of this bill. We need nothing today for Safeco Field through this lease term. This bill will be able to help with the new lease negotiations which will take place five to seven years from now.

This gives King County flexibility. Both small and large organizations support this bill. This will bring long-term commitments that will bring confidence to many arts and heritage organizations. It is important that this takes place this year. Funding for bricks and mortar

projects are tough to come by. The lodging tax helps with this. This will help with community revitalization.

CON: I oppose the bill because these taxes are set to expire and you lose trust if you keep them going. Helping the University of Washington (UW) with the maintenance of their stadium helps to subsidize the high salaries of football coaches. Recently \$141 million was raised by the UW for sports, but they used it for other athletics rather than the stadium. In this downturn, \$150 million should go to other purposes than Husky Stadium. This should be voted on. We would like to see the 2 percent rental car tax expire as it was set out to be. Car rental targets are easy targets as it is generally a tax on folks outside of the state. If they don't terminate it will be a new tax. We are supportive of the good things that these bills have done.

Persons Testifying: PRO: Dow Constantine, King County Council; Jean Burbidge, City of Federal Way; Dwight Dively, City of Seattle; Bart Waldman, Seattle Mariners; Louise Miller, Dale Smith, 4 Culture; Jennifer Meisner, Washington Trust for Historic Preservation.

CON: Mike Bernard, Glenn Osterhout, Kathy Christianson, citizens; Gordon Walgren, Shane Skinner, Enterprise Car Rental; Jeff Gombosky, Alamo Car Rental.