
Ways & Means Committee

SSB 5834

Brief Description: Permitting counties to direct an existing portion of local lodging taxes to programs for arts and heritage.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Murray, Litzow, McAuliffe, Nelson, Hill, White, Kohl-Welles, Fain and Eide).

Brief Summary of Substitute Bill

- Retires the King County permanent and irreducible arts fund and allows the principal from the fund may be spent on the arts, culture, and heritage programs.
- Distributes the King County hotel-motel tax to arts, culture, and heritage programs until December 31, 2015 if the Kingdome bonds are retired before December 31, 2015.
- Distributes 37.5 percent of the county hotel-motel tax revenues to art museums, cultural museums, heritage museums, the arts, and performing arts beginning January 1, 2021.
- Permanently prohibits cities in King County (except Bellevue) from imposing the 2 percent state shared hotel-motel tax.
- Continues until 2035 the Yakima County double credit against the state sales tax for hotel-motel taxes within the city of Yakima.

Hearing Date: 3/14/11

Staff: Rick Peterson (786-7150).

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

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ordinary state and local sales taxes and are added to the amount paid by the customer. The latter type is often referred to as special hotel-motel taxes.

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.

Cities in King County, except Bellevue, are not allowed to impose the 2 percent state-shared hotel-motel tax until the football stadium and exhibition center debt is retired. This is expected to happen in 2020.

King County is exempt from providing a tax credit for similar city hotel-motel taxes. As a result, King County benefits from a double credit against state sales for hotel stays in Bellevue. The double credit is scheduled to stop at the end of 2012. A similar double credit is available on the state shared hotel-motel tax for Yakima County within the city of Yakima. The Yakima double credit is scheduled to end January 1, 2021.

Scheduled to stop at the end of 2012 is the distribution of a portion of the 2 percent state-shared hotel-motel tax to arts and heritage programs. Forty percent of these distributions are deposited into a county permanent and irreducible arts fund of which only the earnings on the fund may be spent on current programs.

Established in January 2003, 4Culture is King County's cultural services agency. It continues the work of the King County Arts Commission, Public Art Commission, and the heritage programs of the Landmarks Commission. 4Culture is a tax-exempt public corporation with a 15 member Board of Directors who are nominated by the King County Executive and confirmed by the Metropolitan King County Council. 4Culture receives a portion of the hotel-motel tax revenues to provide funding to support the visual and performing arts, public art, heritage programs, and historic preservation.

Summary of Bill:

The King County permanent and irreducible arts fund is retired and the principal from the fund may be spent on arts, culture, and heritage programs. The 40 percent portion of King County's hotel-motel tax to arts and heritage programs is no longer distributed to the permanent and irreducible arts fund, but instead is distributed to an account dedicated to art museums, cultural museums, heritage museums, the arts, and performing arts.

If the bonds used to pay for the repairs to the Kingdome are retired before December 31, 2015, the King County hotel-motel tax will be distributed into the account dedicated to the arts, culture, and heritage programs until December 31, 2015.

The prohibition on cities in King County imposing the 2 percent state shared hotel-motel tax is extended indefinitely. Beginning January 1, 2021, at least 37.5 percent of the county hotel-motel tax revenues will be distributed to the account dedicated to art museums, cultural museums, heritage museums, the arts, and performing arts.

The Yakima County double credit against the state sales tax for hotel/motel taxes from within the city of Yakima is continued until 2035. The requirement that Yakima County must do a financial audit of organizations that receive funding from the lodging tax is removed.

Appropriation: None.

Fiscal Note: Not requested.

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