

HOUSE BILL REPORT

ESSB 5834

As of Second Reading

Title: An act relating to permitting counties to direct an existing portion of local lodging taxes to programs for arts, culture, heritage, tourism, and housing.

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

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

Brief History:

Committee Activity:

Ways & Means: 3/14/11.

Brief Summary of Engrossed Substitute Bill

- Retires the King County permanent and irreducible arts fund and allows the principal from the fund to be spent on the arts, culture, and heritage programs.
- Distributes the King County state shared hotel-motel tax to arts, culture, and heritage programs until December 31, 2015, if the Kingdom bonds are retired before December 31, 2015.
- Distributes, beginning January 1, 2021, the county 2 percent state shared hotel-motel tax revenue as follows: 37.5 percent to arts, culture, and heritage programs; 37.5 percent for affordable workforce housing or services for homeless youth; and the remainder for tourism promotion.
- Permanently prohibits cities in King County (except Bellevue) from imposing the 2 percent state shared hotel-motel tax.
- Dedicates the county 5 percent admissions and 10 percent parking taxes at the baseball stadium for repairing, re-equipping, and improving the baseball stadium.
- Continues until 2035 the Yakima County double credit against the state sales tax for hotel-motel taxes within the city of Yakima.

HOUSE COMMITTEE ON WAYS & MEANS

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.

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 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.

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. One of the 5 percent admissions taxes is dedicated to paying unanticipated capital costs excluding cost overruns on the initial construction. 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. The authority for a second 5 percent admissions tax, which was never imposed, also ends when the construction bonds are paid.

The baseball stadium was developed by the Washington State Major League Baseball Stadium Public Facilities District. Public facility districts are authorized to impose certain taxes with approval of the voters of the district including a tax of up to 10 percent on parking at facilities owned or leased by the public facility district.

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 state-shared hotel-motel tax is 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, the county 2 percent state-shared hotel-motel tax revenues will be distributed as follows: at least 37.5 percent to the account dedicated to art museums, cultural museums, heritage museums, the arts, and performing arts; at least 37.5 percent to nonprofit organizations or public housing authorities for affordable workforce housing near transit stations, or services for homeless youth; and the remainder for capital or operating programs that promote tourism and attract tourists to the county. Affordable workforce housing is housing for individuals and families with income between 30 percent and 80 percent of median income adjusted for household size.

The Washington State Major League Baseball Stadium Public Facilities District is authorized to impose the 10 percent parking tax at a parking facility owned or leased by the district without voter approval. The revenue from the tax must be used for repair, re-equipping, and capital improvement of the baseball stadium. The permitted uses of the county 5 percent admissions charge at the baseball stadium is changed to fund repair, re-equipping, and capital improvement of the baseball stadium.

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.

Staff Summary of Public Testimony:

See committee records from the 2011 regular session.

Persons Testifying: See committee records from the 2011 regular session.

Persons Signed In To Testify But Not Testifying: See committee records from the 2011 regular session.