

# SENATE BILL REPORT

## SB 5834

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As Reported by Senate Committee On:  
Ways & Means, February 24, 2011

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

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

**Sponsors:** Senators Murray, Litzow, McAuliffe, Nelson, Hill, White, Kohl-Welles, Fain and Eide.

**Brief History:**

**Committee Activity:** Ways & Means: 2/23/11, 2/24/11 [DPS, DNP, w/oRec].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 5834 be substituted therefor, and the substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Baumgartner, Brown, Conway, Fraser, Hatfield, Hewitt, Holmquist Newbry, Kastama, Keiser, Kohl-Welles, Regala and Rockefeller.

**Minority Report:** Do not pass.

Signed by Senators Baxter, Honeyford, Pflug and Schoesler.

**Minority Report:** That it be referred without recommendation.

Signed by Senator Parlette, Ranking Minority Member Capital.

**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 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.

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*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.*

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; 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.

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 an endowment (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 (Recommended Substitute):** The 40 percent distribution of King County's hotel-motel tax to arts and heritage programs is no longer distributed to the fund, but instead is distributed to an account dedicated to art museums, cultural museums, heritage museums, the arts, and performing arts. In addition, the fund is retired and the principal from the fund may be spent on the arts, culture, and heritage programs.

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

The prohibition for 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.

Yakima County can continue to receive hotel/motel tax distributions from within the city of Yakima until 2035. The requirement that Yakima County must do a financial audit of organizations that receive funding from the lodging tax is removed.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute):** Extends the time when Yakima County can continue to receive Hotel/motel tax distributions from within the city of Yakima from 2021 to 2035. Removes the requirement that a county must do a financial audit of organizations that receive funding from the lodging 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: 4Culture manages the lodging tax funds. About 300 organization and thousands of individuals receive funds annually. This program is about to be lost. The bill will allow us to survive. This bill has been waiting for its day for a long time and the time is now up. These funds also allow us to leverage private funds. This is a key piece to economic development. These funds support 30 thousand jobs in King County and we want to keep this cycle going. 4Culture has been a big supporter of theater via the lodging tax. Tens of thousands of youth have benefited from these funds. Renton has received over \$500,000 in grants from these funds. This bill gives us the opportunity to use existing taxes to use towards 4Culture purposes. We appreciate that it has permanent funding for arts and heritage programs. Now is the very time we need to lay down a path for new jobs and economic development opportunities. Yakima county's state fair park is a historical landmark as the location of the state's first state fair. We would like to participate in this bill. We are trying to host the National High School Rodeo which is a two year event. The event will have an impact of \$5 million per year in the local economy. The lodging tax funds are used to leverage additional funds from private sources.

**Persons Testifying:** PRO: Paul Toliver, 4Culture; Genesee Adkins, King County; Ronda Billerbeck, Kent Arts Commission; Kate Becker, Seattle Theatre Group; Ron Newbry, Central Washington Fair Association; Elizabeth Stewart, Renton History Museum; Jeanne Burbidge, Federal Way City Council; Richard Anderson, Northwest Railway Museum.