

# SENATE BILL REPORT

## SB 6446

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As Reported by Senate Committee On:  
Ways & Means, February 7, 2012

**Title:** An act relating to the lodging tax.

**Brief Description:** Concerning the lodging tax.

**Sponsors:** Senators Fraser, Morton, Regala and Kohl-Welles.

**Brief History:**

**Committee Activity:** Ways & Means: 2/06/12, 2/07/12 [DPS, w/oRec].

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Substitute Senate Bill No. 6446 be substituted therefor, and the substitute bill do pass.

Signed by Senators Murray, Chair; Kilmer, Vice Chair, Capital Budget Chair; Zarelli, Ranking Minority Member; Conway, Fraser, Hatfield, Honeyford, Kastama, Keiser, Kohl-Welles, Pridemore and Regala.

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

Signed by Senators Parlette, Ranking Minority Member Capital; Baumgartner, Hewitt, Padden, Schoesler and Tom.

**Staff:** Dean Carlson (786-7305)

**Background:** Lodging Taxes. 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.

Uses of Lodging Taxes. Prior to 2007, lodging taxes were to be used only for tourism purposes. Tourism purposes included tourism promotion and tourism facilities. Tourism promotion included expenditures designed to increase tourism, such as advertising, publicizing, and other methods of distributing information to attract tourists. Tourism-related

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facilities were defined as real or tangible personal property with a usable life of three or more years or constructed with volunteer labor and used to support tourism or performing arts or to accommodate tourist activities.

In 2007 SSB 5647 expanded the allowed uses for tourism promotion to include operations. This allowed lodging tax revenues to be used for operations expenditures for tourism promotion as well as to fund and operate special events and festivals. The definition of tourism-related facility was amended to mean property that is owned by a public entity or a nonprofit organization. This authorized local lodging tax revenues to be used for tourism-related facilities owned by a public entity or a nonprofit organization, including 501(c)(6) organizations such as business organizations, destination marketing organizations, main street organizations, lodging associations, and chambers of commerce.

The legislation also required annual accountability reports on the use of funds for festivals, special events, and tourism-related facilities owned by a 501(c)(3) or 501(c)(6) nonprofit. A report by the Joint Legislative Audit and Review Committee (JLARC) to the Legislature and Governor is required by September 1, 2012, regarding the expenditures and economic impact of the festivals, special events, and tourism-related facilities owned by a 501(c)(3) or 501(c)(6) nonprofit organization. A preliminary report was issued in January 2012. The definitional changes and the reporting requirements required by SSB 5647 are set to expire on June 30, 2013.

JLARC's preliminary report stated that approximately 8 percent of lodging tax revenues were spent on the newly authorized purposes, and 92 percent of revenues were spent on previously allowed purposes. They were not, however, able to determine an economic impact from these changes due to incomplete reporting by local governments and concerns about the reliability of the tourist-related data that local governments collected.

**Summary of Bill (Recommended Substitute):** The expiration date of June 30, 2013, for the definitional and reporting changes made in 2007 is extended to December 31, 2014.

The Department of Commerce (Commerce) must compile the results of the economic impact reports to determine the economic impact of lodging revenues used to support festivals, special events, and tourism related facilities owned or sponsored by a nonprofit organization and submit the results to the appropriated committees of the legislature each December.

Each February, Commerce, with the help of city and county associations, must notify delinquent jurisdictions that they are delinquent and of their required reporting responsibilities.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Substitute):** The expiration date of June 30, 2013, for the definitional and reporting changes made in 2007 is extended to December 31, 2014.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**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: The Central Washington Fair Association supports passage of this bill. This allows support of festivals and special events, which draws people to communities. The organizations that are able to receive funding for this contribute greatly in attracting tourists to communities. We feel it is important to keep the funding continue to nonprofit events.

CON: The purpose of this tax is for an investment fund to bring tourists to local areas. The 2007 legislation provided a mechanism to determine if the changes worked. In three years of reporting data, only 12 jurisdictions reported the data each year. In the third year, 58 percent of the local jurisdictions did not report their data. This is not enough data to provide conclusiveness. Growing tourism is the one of the best ways to grow the economy. Since the state tourism office was closed last year, there are no other funds to promote tourism.

**Persons Testifying:** PRO: Ron Newbry, Central WA Fair Assn.; Victoria Lincoln, Assn. of WA Cities.

CON: Becky Bogard, WA State Destination Marketing Organization.