

HOUSE BILL REPORT

HB 1598

As Reported by House Committee On: Finance

Title: An act relating to providing an exemption for certain lodging services from the convention and trade center tax.

Brief Description: Providing an exemption for certain lodging services from the convention and trade center tax.

Sponsors: Representatives Santos and Ryu.

Brief History:

Committee Activity:

Finance: 2/15/13, 2/27/13 [DPS].

Brief Summary of Substitute Bill

- Provides an exemption for the convention and trade center tax to qualifying hostels.
- Provides definitions for hostel and hostel dormitory.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Fitzgibbon, Hansen, Lytton, Pollet, Reykdal and Springer.

Minority Report: Do not pass. Signed by 4 members: Representatives Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta and Vick.

Staff: Dominique Meyers (786-7150).

Background:

Hotel-Motel Taxes.

"Hotel-Motel" taxes are special sales taxes on lodging rentals. Some hotel-motel taxes are credited against the state sales tax rather than being added to rental charges paid by

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customers. These taxes only apply when a lodging unit is used for a continuous period of less than one month (longer use is considered a rental of real property, rather than a "license" to use the property).

Convention and Trade Center Tax.

A local "convention center" tax applies to lodging within King County. The convention center tax was first effective on April 1, 1982. The tax is imposed by a King County public facilities district (PFD). This special sales and use tax applies only to the sale of lodging in hotels, motels, and similar facilities in King County with at least 60 units. The tax rate is 7 percent within the City of Seattle and 2.8 percent throughout the remainder of King County. In addition, the PFD may impose a 2 percent lodging tax on facilities with at least 60 units in Seattle that is credited against the state sales tax rate.

The convention center tax is in addition to the retail sales tax. Thus, the combined tax rate for hotels and motels with 60 or more units within Seattle is presently 15.6 percent.

Hostels.

A hostel is a budget-oriented, shared-room accommodation that accepts individual travelers or groups for short-term stays, and that provides common areas and communal facilities. However, many hostels also provide some private rooms. In general, hostels are small with less than 60 units, shared or individual, but hostels can be similar in size to hotels.

Summary of Substitute Bill:

Hostels that primarily sell lodging services on an individual bed, shared room basis are exempt from the convention and trade center tax.

Specific definitions for hostel and hostel dormitory are provided.

Substitute Bill Compared to Original Bill:

The substitute bill includes definitions for hostel and hostel dormitory.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect on August 1, 2013.

Staff Summary of Public Testimony:

(In support) This legislation is a very narrowly constructed bill to address an unevenness with the competition for a certain type of lodging facility, a hostel. A hostel is a shared type of

lodging. The application of the convention and trade center tax created a disadvantage for one particular hostel in Seattle.

(Opposed) None.

Persons Testifying: Representative Santos, prime sponsor; Lawrence Larson, Hostelling International at the American Hotel; and Becky Bogard, Washington State Convention Center.

Persons Signed In To Testify But Not Testifying: None.