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**SUBSTITUTE HOUSE BILL 1253**

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**State of Washington**

**63rd Legislature**

**2013 Regular Session**

**By** House Finance (originally sponsored by Representatives Blake, Orcutt, Takko, Dahlquist, Haigh, Hunt, Walsh, Lytton, Nealey, Morris, Hudgins, McCoy, Zeiger, Maxwell, Pettigrew, Bergquist, Van De Wege, Upthegrove, and Freeman)

READ FIRST TIME 03/01/13.

1       AN ACT Relating to the lodging tax; amending RCW 67.28.1816 and  
2 67.28.1817; reenacting and amending RCW 67.28.080; providing an  
3 effective date; and declaring an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5       **Sec. 1.** RCW 67.28.1816 and 2008 c 28 s 1 are each amended to read  
6 as follows:

7       (1) Lodging tax revenues under this chapter may be used, directly  
8 by local jurisdictions or indirectly through a convention and visitors  
9 bureau or destination marketing organization, for the marketing and  
10 operations of special events and festivals designed to attract tourists  
11 and local travelers and to support the operations and capital  
12 expenditures of tourism-related facilities owned or operated by public  
13 entities, operating and marketing for nonprofit organizations described  
14 under section 501(c)(3) and section 501(c)(6) of the internal revenue  
15 code of 1986, as amended.

16       (2) ~~((Local jurisdictions that use the lodging tax revenues under~~  
17 ~~this section must submit an annual economic impact report to the~~  
18 ~~department of community, trade, and economic development for~~  
19 ~~expenditures made beginning January 1, 2008. These reports must~~

1 include the expenditures by the local jurisdiction for tourism  
2 promotion purposes and what is used by a nonprofit organization exempt  
3 from taxation under 26 U.S.C. Sec. 501(c)(3) or 501(c)(6). This  
4 economic impact report, at a minimum, must include: (a) The total  
5 revenue received under this chapter for each year; (b) the list of  
6 festivals, special events, or nonprofit 501(c)(3) or 501(c)(6)  
7 organizations that received funds under this chapter; (c) the list of  
8 festivals, special events, or tourism facilities sponsored or owned by  
9 the local jurisdiction that received funds under this chapter; (d) the  
10 amount of revenue expended on each festival, special event, or  
11 tourism-related facility owned or sponsored by a nonprofit 501(c)(3) or  
12 501(c)(6) organization or local jurisdiction; (e) the estimated number  
13 of tourists, persons traveling over fifty miles to the destination,  
14 persons remaining at the destination overnight, and lodging stays  
15 generated per festival, special event, or tourism-related facility  
16 owned or sponsored by a nonprofit 501(c)(3) or 501(c)(6) organization  
17 or local jurisdiction; and (f) any other measurements the local  
18 government finds that demonstrate the impact of the increased tourism  
19 attributable to the festival, special event, or tourism-related  
20 facility owned or sponsored by a nonprofit 501(c)(3) or 501(c)(6)  
21 organization or local jurisdiction.

22 (3) The joint legislative audit and review committee must report to  
23 the legislature and the governor on the use and economic impact of  
24 lodging tax revenues by local jurisdictions since January 1, 2008, to  
25 support festivals, special events, and tourism-related facilities owned  
26 or sponsored by a nonprofit organization under section 501(c)(3) or  
27 501(c)(6) of the internal revenue code of 1986, as amended, or a local  
28 jurisdiction, and the economic impact generated by these festivals,  
29 events, and facilities. This report shall be due September 1, 2012.

30 (4) Reporting under this section must begin with calendar year  
31 2008.

32 (5) This section expires June 30, 2013.) (a) Except as provided in  
33 (b) of this subsection, applicants applying for use of revenues in this  
34 chapter must provide the municipality to which they are applying  
35 estimates of how any moneys received will result in increases in:

36 (i) The number of tourists and local travelers visiting the  
37 municipality including anticipated overnight stays; and

1 (ii) Tourism-related and local traveler-related economic activity  
2 benefiting the municipality.

3 (b) In a municipality with a population of five thousand or more,  
4 applicants applying for use of revenues in this chapter must submit  
5 their applications and estimates described under (a) of this subsection  
6 to the local lodging tax advisory committee.

7 (c)(i) All recipients must submit a report to the municipality  
8 reporting pertinent data evaluating tourism and local visitor benefits  
9 resulting from the use of the funds as compared with the estimates  
10 contained in the application. A municipality receiving a report must:  
11 Make such report available to the local legislative body and the  
12 public; and furnish copies of the report to the joint legislative audit  
13 and review committee and members of the local lodging tax advisory  
14 committee.

15 (ii) On a biennial basis, and in compliance with RCW 43.01.036, the  
16 joint legislative audit and review committee must submit a report to  
17 the economic development committees of the legislature that details the  
18 use and economic impact of lodging tax revenues by local jurisdictions  
19 based on the reports furnished to the joint legislative audit and  
20 review committee under (c)(i) of this subsection. Reporting under this  
21 subsection must begin in calendar year 2015.

22 **Sec. 2.** RCW 67.28.080 and 2007 c 497 s 1 are each reenacted and  
23 amended to read as follows:

24 The definitions in this section apply throughout this chapter  
25 unless the context clearly requires otherwise.

26 (1) "Acquisition" includes, but is not limited to, siting,  
27 acquisition, design, construction, refurbishing, expansion, repair, and  
28 improvement, including paying or securing the payment of all or any  
29 portion of general obligation bonds, leases, revenue bonds, or other  
30 obligations issued or incurred for such purpose or purposes under this  
31 chapter.

32 (2) "Local traveler" means a person who travels less than 50 miles  
33 from their residence or business to attend a special event or festival.

34 (3) "Local traveler economic impacts" means economic activity  
35 resulting from local travelers which may include meals, admissions  
36 fees, souvenirs, tours, and gifts.

1           (4) "Municipality" means any county, city or town of the state of  
2 Washington.

3           ~~((+3))~~ (5) "Operation" includes, but is not limited to, operation,  
4 management, and marketing.

5           ~~((+4))~~ (6) "Person" means the federal government or any agency  
6 thereof, the state or any agency, subdivision, taxing district or  
7 municipal corporation thereof other than county, city or town, any  
8 private corporation, partnership, association, or individual.

9           ~~((+5))~~ (7) "Tourism" means economic activity resulting from  
10 tourists, which may include sales of overnight lodging, meals, tours,  
11 gifts, or souvenirs.

12           ~~((+6))~~ (8) "Tourism promotion" means activities, operations, and  
13 expenditures designed to increase tourism, including but not limited to  
14 advertising, publicizing, or otherwise distributing information for the  
15 purpose of attracting and welcoming tourists; developing strategies to  
16 expand tourism; operating tourism promotion agencies; and funding the  
17 marketing of or the operation of special events and festivals designed  
18 to attract tourists.

19           ~~((+7))~~ (9) "Tourism-related facility" means real or tangible  
20 personal property with a usable life of three or more years, or  
21 constructed with volunteer labor that is: (a)(i) Owned by a public  
22 entity; (ii) owned by a nonprofit organization described under section  
23 501(c)(3) of the federal internal revenue code of 1986, as amended; or  
24 (iii) owned by a nonprofit organization described under section  
25 501(c)(6) of the federal internal revenue code of 1986, as amended, a  
26 business organization, destination marketing organization, main street  
27 organization, lodging association, or chamber of commerce and (b) used  
28 to support tourism, performing arts, or to accommodate tourist  
29 activities.

30           ~~((+8))~~ (10) "Tourist" means a person who travels ~~((from a place of~~  
31 ~~residence to a different town, city, county, state, or country, for~~  
32 ~~purposes of business, pleasure, recreation, education, arts, heritage,~~  
33 ~~or culture.~~

34           ~~(9) Amendments made in section 1, chapter 497, Laws of 2007 expire~~  
35 ~~June 30, 2013))~~ for business or pleasure on a trip: Away from their  
36 place of residence or business and stays overnight in paid  
37 accommodations; to a place fifty miles or more one way from their place

1 of residence or their business for the day or stays overnight; or from  
2 another country or state outside of their place of residence or their  
3 business.

4 **Sec. 3.** RCW 67.28.1817 and 1998 c 35 s 3 are each amended to read  
5 as follows:

6 ~~(1) ((Before proposing imposition of a new tax under this chapter,~~  
7 ~~an increase in the rate of a tax imposed under this chapter, repeal of~~  
8 ~~an exemption from a tax imposed under this chapter, or a change in the~~  
9 ~~use of revenue received under this chapter, a municipality with a~~  
10 ~~population of five thousand or more shall establish a lodging tax~~  
11 ~~advisory committee under this section))~~ (a) A municipality with a  
12 population of five thousand or more must establish a lodging tax  
13 advisory committee under this section before either:

14 (i) Proposing imposition of a new tax under this chapter, an  
15 increase in the rate of a tax imposed under this chapter, or a repeal  
16 of an exemption from a tax imposed under this chapter; or

17 (ii) Approving an application for use of revenue received under  
18 this chapter.

19 (b)(i) A lodging tax advisory committee ~~((shall))~~ must consist of  
20 at least five members, appointed by the legislative body of the  
21 municipality, unless the municipality has a charter providing for a  
22 different appointment authority.

23 (ii) The committee membership ~~((shall))~~ must include:

24 ~~((+a))~~ (A) At least two members who are representatives of  
25 businesses required to collect tax under this chapter; and

26 ~~((+b))~~ (B) At least two members who are persons involved in  
27 activities authorized to be funded by revenue received under this  
28 chapter. Persons who are eligible for appointment under ~~((+a))~~  
29 (b)(ii)(A) of this subsection are not eligible for appointment under  
30 (b)(ii)(B) of this subsection. Persons who are eligible for  
31 appointment under (b)(ii)(B) of this subsection are not eligible for  
32 appointment under ~~((+a))~~ (b)(ii)(A) of this subsection.

33 (c) Organizations representing businesses required to collect tax  
34 under this chapter, organizations involved in activities authorized to  
35 be funded by revenue received under this chapter, and local agencies  
36 involved in tourism promotion may submit recommendations for membership  
37 on the committee. The number of members who are representatives of

1 businesses required to collect tax under this chapter (~~shall~~) must  
2 equal the number of members who are involved in activities authorized  
3 to be funded by revenue received under this chapter. One member  
4 (~~shall~~) must be an elected official of the municipality who (~~shall~~)  
5 must serve as chair of the committee. An advisory committee for a  
6 county may include one nonvoting member who is an elected official of  
7 a city or town in the county. An advisory committee for a city or town  
8 may include one nonvoting member who is an elected official of the  
9 county in which the city or town is located. The appointing authority  
10 (~~shall~~) must review the membership of the advisory committee annually  
11 and make changes as appropriate.

12 (2)(a) Any municipality that: (i) Proposes imposition of a tax  
13 under this chapter, an increase in the rate of a tax imposed under this  
14 chapter, or a repeal of an exemption from a tax imposed under this  
15 chapter(~~, or a change in the~~); or (ii) approves an application for  
16 use of revenue received under this chapter (~~shall~~), must submit (~~the~~  
17 proposal) all proposals and applications received pursuant to RCW  
18 67.28.1816(2) to the lodging tax advisory committee for review (~~and~~  
19 comment). The submissions (~~shall~~) must occur at least forty-five  
20 days before final action on or passage of the proposal by the  
21 municipality.

22 (b)(i) The advisory committee (~~shall~~) must submit comments on  
23 (~~the~~) any proposal (~~in a timely manner through generally applicable~~  
24 public comment procedures. The comments shall include an analysis of  
25 the extent to which the proposal will accommodate activities for  
26 tourists or increase tourism, and the extent to which the proposal will  
27 affect the long-term stability of the fund created under RCW  
28 67.28.1815. Failure of the advisory committee to submit comments  
29 before final action on or passage of the proposal shall not prevent the  
30 municipality from acting on the proposal. A municipality is not  
31 required to submit an amended proposal to an advisory committee under  
32 this section) for imposition of a tax under this chapter, an increase  
33 in the rate of a tax imposed under this chapter, repeal of an exemption  
34 from a tax imposed under this chapter, or an approval of an application  
35 for use of revenue received under this chapter in a timely manner  
36 through generally applicable public comment procedures.

37 (ii) The lodging tax advisory committee must prioritize all

1 applications for use of revenue in this chapter and submit the  
2 prioritized list and funding levels to the municipality for final  
3 determination.

4 (iii) The lodging tax advisory committee must consider the extent  
5 to which the proposed use of the funds will affect the long-term  
6 stability of the fund created under RCW 67.28.1815.

7 (iv) The municipality may only choose recipients from the  
8 prioritized list of applications and funding levels provided by the  
9 local lodging tax advisory committee. A municipality may only change  
10 the funding level after the lodging tax advisory committee has been  
11 given the opportunity to review the proposed change.

12 (v) Failure of the advisory committee to submit comments and a  
13 prioritized list before final action on a proposal or approval of  
14 applicants for use of the funds does not prevent the municipality from  
15 acting.

16 (c) A municipality is not required to submit an amended proposal to  
17 an advisory committee under this section.

18 NEW SECTION. Sec. 4. This act is necessary for the immediate  
19 preservation of the public peace, health, or safety, or support of the  
20 state government and its existing public institutions, and takes effect  
21 July 1, 2013.

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