

# HOUSE BILL REPORT

## SHB 1516

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### As Passed Legislature

**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:** House Committee on Finance (originally sponsored by Representatives Pettigrew, Santos, Magendanz, Condotta, Fitzgibbon and Ormsby).

#### **Brief History:**

##### **Committee Activity:**

Finance: 1/30/15, 2/17/15 [DPS].

##### **Floor Activity:**

Passed House: 3/5/15, 97-0.

Passed Senate: 4/14/15, 47-2.

Passed Legislature.

#### **Brief Summary of Substitute Bill**

- Provides an exemption for the convention and trade center tax to qualifying hostels.
- Prohibits the King County public facilities district from levying the state-shared hotel motel tax on sales of lodging at a hostel.
- Provides definitions for hostel and hostel dormitory.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Carlyle, Chair; Tharinger, Vice Chair; Nealey, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Condotta, Fitzgibbon, Manweller, Reykdal, Robinson, Ryu, Springer, Stokesbary, Vick, Wilcox and Wylie.

**Staff:** Dominique Meyers (786-7150).

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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.*

## **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 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.

### Hostel.

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. In addition, the King County PFD is no longer authorized to levy the state-shared hotel motel tax on sales of lodging at a hostel.

A definition is provided for hostel and hostel dormitory.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on August 1, 2015.

## **Staff Summary of Public Testimony:**

(In support) If it looks like a hostel and acts like a hostel, it should be treated like a hostel. There is only one hostel in Seattle that has more than 60 rooms, therefore it does not qualify

for the exemption of the convention center tax. The American Hotel is a hostel despite the name. It has about 20 more rooms than the current exemption authorizes. The rationale for the exemption for smaller hotels from the convention center tax, was to only charge the tax on conventioners and it was agreed that hostels and small hotels would not host the type of patrons that would visit the convention center. There is only one hostel in Seattle that does not currently qualify due to exceeding the 60 room limit but by every other aspect this facility is a hostel with many rooms having shared room accommodations and communal facilities.

(Opposed) None.

**Persons Testifying:** Representative Pettigrew, prime sponsor; and Scott Hildebrand, American Hotel.

**Persons Signed In To Testify But Not Testifying:** None.