
**Community Development, Housing &
Tribal Affairs Committee**

HB 2552

Brief Description: Concerning tourism marketing.

Sponsors: Representative Condotta.

Brief Summary of Bill

- Creates the Washington Tourism Marketing Authority as a public body to manage financial resources for state tourism marketing.
- Creates a business and occupation tax credit program for tourism related businesses who contribute to a state tourism marketing fund.

Hearing Date: 2/1/16

Staff: Sean Flynn (786-7124).

Background:

State Tourism.

The State Tourism Commission (Commission) was created in 2007 to direct the state tourism program administered through the Department of Commerce (DOC). The Commission was comprised of public and private industry representatives and was directed to promote and expand the state tourism industry. The Commission could raise funds, and it owned an account.

The Legislature terminated the State Tourism Program and the Commission at the end of the 2009-11 biennium. In the same year, the Washington Tourism Alliance (WTA) was formed to assume official state tourism marketing and promotion activities. The WTA is a private nonprofit organization comprised of members of the state tourism industry. The WTA receives funding from its members. Among its activities, the WTA operates a state tourism website, publishes the Official State Tourism Guide, and holds an annual tourism summit.

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 2014 the Legislature directed the WTA to propose a private funding mechanism for a state tourism marketing program, including how revenues would be allocated and collected from each tourism industry sector. The Legislature directed the Departments of Revenue (DOR), the DOC, the Office of the State Treasurer, and the Office of the Secretary of State (OSOS) to assist the WTA in developing the funding mechanism. The WTA also was directed to propose a governance structure that includes a board representing the five industry sectors as well as destination marketing organizations.

Business and Occupation Tax.

The business and occupation (B&O) tax is imposed on the gross receipts of business activities conducted within the state. Revenues collected are deposited in the State General Fund. There are several B&O tax rates, and a business may be subject to more than one rate, depending on the types of activities conducted. There are multiple exemptions, deductions, and credits to reduce the B&O tax liability for specific taxpayers and business industries.

Summary of Bill:

Tourism Marketing Authority.

The Washington Tourism Marketing Authority (Authority) is established as a public entity to manage state revenues and contract for statewide tourism marketing services. The Authority is governed by a board of directors (Board) comprised of 13 members representing tourism-related sectors, including:

- lodging (four members);
- food service (three members);
- retail (two members);
- attractions and entertainment (one member); and
- transportation (one member).

Two representatives are designated from regional destination marketing organizations as well.

The Secretary of the OSOS (Secretary) and the Director of the DOR serve as ex-officio members of the authority. The Secretary and Director of the DOR must jointly appoint members to the Board from the nominations submitted by organizations representing each sector. Appointments must reflect diversity in geography, business size, gender, and ethnicity. Appointments last for four years, though initial appointments are staggered between two and four year terms. Board members are not compensated, but may be reimbursed for expenses.

Each sector includes businesses involved in a broad range of activities:

- *Lodging* includes: a business that provides 20 or more units.
- *Food service* includes: restaurant businesses.
Retail includes: the sale of off-premise alcohol sales; clothing; jewelry; luggage or leather goods; sporting goods; books; floral products; novelty items and souvenirs; greeting cards and holiday decorations; curios; toys and games; and hobbies and crafts, except for needlecraft.
 - Retail does not include: Internet-based retail businesses; electronics and appliances; personal care products; durable medical equipment; groceries;

gasoline; specialty food items; hardware; motor vehicles, automobile parts, and watercraft; furniture; garden products; outdoor power equipment; home furnishings; and used merchandise.

- *Attractions and entertainment* includes: live performance production; professional sports teams; racetracks; events, such as performing arts, sports, and festivals; talent management; exhibition of objects, sites, buildings, or communities with historic value; preservation and exhibition of plants, animals, and natural areas; amusement parks; arcade parlors; golf facilities; ski areas; travel agencies; games of chance; and marinas for pleasure crafts.

Transportation includes: transporting passengers by motor vehicle for hire.

- Transportation does not include: Interstate travel or transporting persons with special needs.

Tourism Marketing Tax Credit.

A tax credit is allowed against the B&O tax for a cash contribution made by a business in one of the tourism sectors to support statewide tourism marketing. The tax credit is equal to one-half of the amount of the contribution. The tax credits allowed for a taxpayer may not exceed \$5,000 per year and the total of all tax credits allowed in the state may not exceed \$5 million per year.

A business must generate at least half of its income from one of the designated tourism sector to qualify for the tax credit. A taxpayer must apply for the tax credits by submitted all returns and other information as required by the Department of Revenue in electronic format. The Department must approve the application for the tax credit to apply. The taxpayer must use the approved tax credit by the end of the year in which it was approved. The tax credit may be claimed against a B&O tax due in the year after the tax credit was approved. Tax credits may not carry forward into subsequent years.

Statewide Tourism Marketing Account.

All contributions made for a tax credit must be deposited into the Statewide Tourism Marketing Account (Account), created with the state treasurer. Any interest earned on the Account or loan repayments must be reinvested into the Account. The account is managed by the Authority and the Authority may cancel the acceptance of contributions if it determines that the state tourism marketing program is not effective.

The Authority must use funds from the Account to contract with a statewide tourism marketing nonprofit organization to develop a state tourism marketing plan. The Authority must consider contracting with a nonprofit organization whose governing board represents all tourism related sectors and is geographically diverse. If only one organization qualifies for a contract, the Authority may issue one contract to that entity. The Authority also may use Account funds to pay for the costs associated with collecting fees, as well as up to 1.5 percent on other administrative costs.

Appropriation: None.

Fiscal Note: Requested on January 28, 2016.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.