

SENATE BILL REPORT

SB 5868

As Reported by Senate Committee On:
Ways & Means, February 27, 2015

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: Senators Jayapal, Litzow, Chase, Angel, Hobbs and Kohl-Welles.

Brief History:

Committee Activity: Ways & Means: 2/25/15, 2/27/15 [DP, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Hill, Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Ranker, Ranking Minority Member, Operating; Bailey, Billig, Conway, Fraser, Hasegawa, Hatfield, Hewitt, Kohl-Welles, O'Ban, Padden, Parlette and Warnick.

Minority Report: Do not pass.

Signed by Senators Honeyford, Vice Chair, Capital Budget Chair; Brown and Schoesler.

Minority Report: That it be referred without recommendation.

Signed by Senators Braun, Vice Chair; Dammeier, Vice Chair; Becker and Rolfes.

Staff: Dean Carlson (786-7305)

Background: Washington State Convention and Trade Center. In 2010 the Legislature authorized creation of a new public facilities district (PFD) in King County to take over the Washington State Convention and Trade Center (Center), located in Seattle.

The Center was originally established by the Legislature as a public nonprofit corporation in 1982 and financed through state-issued general obligation bonds. Expansion of the Center, authorized by the Legislature in the 1995-97 biennium, was financed through the use of Certificates of Participation. The Center was transferred to the PFD in 2010 after provisions were made for all assets and liability of the nonprofit corporation to be assumed by the PFD.

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.

Lodging Tax Financing. For the purposes of acquiring, owning, and operating a convention and trade center, the Center PFD is authorized to impose an excise tax on lodging sales or charges made by hotels, motels, and similar facilities with at least 60 units (convention center tax). The convention center tax rate is 7 percent in Seattle and 2.8 percent in the rest of King County.

Local Convention Center Tax. The Center PFD may impose, in Seattle only, an additional 2 percent excise tax (local convention center tax) on the same sales or charges subject to the convention center tax. The state issues a tax credit against the retail sales tax to the hotels, motels, and other lodging facilities paying the local convention center tax, and as a result, the local convention center tax does not increase the cost of room rentals to customers. The local convention center tax may be imposed only for: (1) paying the principal and interest on the debt of the PFD; and (2) paying an annual payment amount to the state.

Summary of Bill: Hostels are exempt from the taxes imposed by the Center PFD.

Hostels are defined as a structure or facility where a majority of the rooms for sleeping accommodations are hostel dormitories containing a minimum of four standard beds designed for single-person occupancy within the facility. Hostel accommodations are supervised and must include at least one common area and at least one common kitchen for guest use.

A hostel dormitory is defined as a single room, containing two or more standard beds designed for single-person occupancy, used exclusively as nonprivate communal sleeping quarters, generally for unrelated persons, where such persons independently acquire the right to occupy individual beds, with the operator supervising and determining which bed each person will occupy.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: This exempts hostels from the convention center tax. Convention travelers don't stay at hostels. We are at a disadvantage to the other hostels as they have fewer than 60 rooms so they don't pay the tax. Our clients are budget travelers.

Persons Testifying: PRO: Scott Hildebrand, American Hotel, Hosteling International Seattle.