

HOUSE BILL REPORT

HB 2015

As Reported by House Committee On: Finance

Title: An act relating to modifying the lodging excise tax to remove the exemption for premises with fewer than sixty lodging units and to tax certain vacation rentals, short-term home-sharing arrangements, and other compensated use or occupancy of dwellings.

Brief Description: Modifying the lodging excise tax to remove the exemption for premises with fewer than sixty lodging units and to tax certain vacation rentals, short-term home-sharing arrangements, and other compensated use or occupancy of dwellings.

Sponsors: Representatives Pettigrew, Stokesbary, Nealey, Springer, Macri and Pollet.

Brief History:

Committee Activity:

Finance: 2/22/17, 2/23/17 [DPS].

Brief Summary of Substitute Bill

- Applies the King County convention center tax on lodging to lodging premises with 59 or less units.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Lytton, Chair; Frame, Vice Chair; Nealey, Ranking Minority Member; Dolan, Pollet, Springer, Stokesbary and Wylie.

Minority Report: Do not pass. Signed by 3 members: Representatives Orcutt, Assistant Ranking Minority Member; Condotta and Wilcox.

Staff: Tracey O'Brien (786-7152).

Background:

Hotel-Motel Tax.

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.

The state imposes an excise tax of 6.5 percent on the sale of goods and services provided in the state, including the furnishing of lodging by a hotel, motel, rooming house, private campground, trailer park, and similar short-term accommodation. Cities and counties are authorized to impose an additional special local excise tax on lodging services, known as a local hotel-motel tax.

One type of local hotel-motel tax allows cities and counties to levy up to 2 percent of a lodging charge, which is credited against the state tax rate of 6.5 percent. Counties imposing this "state shared hotel-motel tax" also must provide a credit for a similar tax imposed by any city within the county. Counties and cities also have authority to levy an additional special hotel-motel tax that may be added onto the state tax rate.

Revenue generated from these local hotel-motel taxes generally are used for tourism promotion or the acquisition and operation of tourism-related facilities. A county may issue general obligations and revenue bonds that are payable from the special hotel-motel tax revenues.

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 that are 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.

Summary of Substitute Bill:

The King County convention center tax also applies to the sale of lodging at premises with 59 or less units.

Substitute Bill Compared to Original Bill:

The substitute bill clarifies that the convention center tax does not apply to the sale of lodging on premises of less than 60 units until July 1, 2017, or the effective date of the act, whichever is later.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 2017.

Staff Summary of Public Testimony:

(In support) The substitute clarifies that the convention center tax does not apply to the sale of lodging on the premises of less than 60 units until July 1, 2017, or the effective date of the act, whichever is later.

The Washington State Convention Center is a very successful venue for conventions, trade shows, corporate events, and other special events. It is an economic engine that has generated \$5.4 billion in direct visitor spending, \$308 million in state sales tax revenues, and \$175 million in local sales tax revenues. However, it is now the smallest convention center on the west coast, and fifty-third in size nationally. As a result, 350 proposals have been turned away due to lack of availability and space, which amounts to \$2.13 billion in lost potential economic benefit. The need for an addition requires additional revenues that would result from this bill. There are significant economic benefits from both the construction and operation of the addition. There will be 6,000 construction related jobs, 2,300 jobs related to the facility and the hospitality industry, and 1,600 jobs created across the region. The convention delegates spend an average of 2.4 days in the region, not just in Seattle, making this a bigger economic development initiative.

(Opposed) None.

Persons Testifying: Becky Bogard and Jeff Blosser, Washington State Convention Center Public Facilities District; Craig Schafer, Washington State Convention Center Public Facilities District, Hotel Andra, and Inn at the Market; Rob Hampton, Visit Seattle; Lee Newgent, Washington Building and Construction Trades Council; and Morgan Hickel, Washington Hospitality Association.

Persons Signed In To Testify But Not Testifying: None.