

# FINAL BILL REPORT

## 2SHB 2015

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### C 245 L 18

Synopsis as Enacted

**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:** House Committee on Finance (originally sponsored by Representatives Pettigrew, Stokesbary, Nealey, Springer, Macri and Pollet).

**House Committee on Finance**  
**Senate Committee on Ways & Means**

#### **Background:**

##### Hotel-Motel Tax.

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 accommodations. 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

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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:**

Unless located in a city with a population of less than 300 persons, the King County convention center tax also applies to the sale of lodging at premises with 59 or fewer units, including short-term rentals. The PFD may use the funds for the renovation and expansion of a convention and trade center.

If a city within the PFD boundaries imposed a lodging tax on short-term rentals on or before December 31, 2017, the convention center lodging tax on short-term rentals will not be imposed in that city. However, if the city repeals the ordinance authorizing the city's short-term rental lodging tax, the PFD will distribute to the city the amount of the convention center lodging tax on short-term rentals revenues collected within this city's jurisdiction. These funds must be used by the city to support community-initiated equitable development and affordable housing programs. This distribution will continue so long as the city does not impose a new tax on short-term rentals.

The remaining revenues collected from the imposition of the lodging tax on short-term rentals within the county must be divided equally between the PFD and the county. The county must use its funds for affordable housing.

A short-term rental means a lodging use that is not a hotel or motel, in which a dwelling unit, or part of a dwelling unit, is offered to a guest by a short-term rental operator for a fee for fewer than 30 consecutive nights. It does not include a dwelling rented to a person for more than 30 consecutive nights or temporary housing to individuals being treated for trauma, injury, or disease and their family members.

**Votes on Final Passage:**

House	56	42	
Senate	33	15	(Senate amended)
House	53	45	(House concurred)

**Effective:** October 1, 2018