

HOUSE BILL REPORT

2SHB 2015

As Amended by the Senate

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

Brief History:

Committee Activity:

Finance: 2/22/17, 2/23/17 [DPS], 2/5/18 [DP2S].

Floor Activity:

Passed House: 2/13/18, 56-42.

Senate Amended.

Passed Senate: 3/2/18, 33-15.

Brief Summary of Second Substitute Bill

- Applies the King County convention center tax on lodging to lodging premises with 59 or fewer units, including short-term rentals.

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass. Signed by 7 members: Representatives Frame, Vice Chair; Nealey, Ranking Minority Member; Dolan, Pollet, Springer, Stokesbary and Wylie.

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

Minority Report: Without recommendation. Signed by 1 member: Representative Wilcox.

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.

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

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 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 Second Substitute Bill:

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 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 and the city has the authority to impose such a tax.

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

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment:

- maintains the tax exemption for lodging businesses with less than 60 units if located in a town with a population of less than 300 persons;
- excludes the University of Washington Medical Center temporary housing facility for family members of patients;
- clarifies the tax rate and the distribution of revenue must be the same regardless of the number of rooms; and
- removes the lack of authority to impose the tax as a condition under which the public facilities district does not have to make quarterly payments to the city.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on October 1, 2018.

Staff Summary of Public Testimony:

(In support) The second substitute bill clarifies that the convention center tax does not apply to the sale of lodging on the premises of fewer 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.