SENATE BILL REPORT
SB 5827

As of February 20, 2017

Title: An act relating to definitions and reporting requirements for municipalities receiving lodging tax revenues.

Brief Description: Concerning definitions and reporting requirements for municipalities receiving lodging tax revenues.

Sponsors: Senators Braun and Rolfes.

Brief History:
Committee Activity: Ways & Means: 2/20/17.

Brief Summary of Bill

- Defines tourist for purposes of local lodging tax reporting.
- Requires recipients of local lodging tax to report to their local government and local lodging tax advisory committee on the number of tourists generated from their events.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Julie Murray (786-7711)

Background: The local lodging tax, also known as the local hotel-motel tax, applies to charges for lodging at hotels, motels, rooming houses, private campgrounds, recreational vehicle (RV) parks, and similar facilities for continuous periods of less than one month. The maximum tax rate is 2 percent. The local tax is credited against the state retail sales tax of 6.5 percent; therefore, customers do not incur an additional tax. Initially authorized in 1967 to provide King County with a funding source for the construction of the Kingdome, the local lodging tax was incrementally expanded over the years to cover additional cities, counties, and fund uses. In 1997, the Legislature repealed the assortment of multiple uses for the local lodging tax and instead required the future revenues to be used for tourism-related purposes.

In 2007, the permissible uses of local lodging tax revenues were expanded to include expenditures for operations related to tourism promotion, including operations relating to special events and festivals. The definition of tourism-related facility was broadened to

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include property owned by various types of nonprofit organizations. Local jurisdictions using local lodging tax revenues are required to submit an annual economic impact report providing information on the amount and use of local lodging tax revenues and the estimated number of tourist and tourist generated revenues to the Department of Commerce. In addition, the Joint Legislative Audit and Review Committee (JLARC) was required to report to the Legislature by September 1, 2012, on the use and economic impact of local lodging tax revenues. All of these changes were set to expire in 2013.

In 2013, tourism promotion, including operations relating to special events and festivals, and support for tourism-related facilities were made a permanent permissible use of local lodging tax revenues. The definition of a tourist was removed along with the annual report of the use of local lodging tax revenues to the Department of Commerce. However, recipients of local lodging tax revenues were required to submit a report to their local jurisdiction describing the number of persons traveling for business or pleasure trips. The reports were to be made available to the local legislative body, the public, the local lodging tax advisory committee and the JLARC.

Summary of Bill: All recipients of local lodging tax revenues are required to submit a report to their local jurisdiction describing the actual number of tourists generated from the monies received.

Tourist is defined as a person who travels for business or pleasure on a trip:
- away from the person's place of residence or business and stays overnight in paid accommodations;
- to a place 50 miles away or more one way by driving-distance from the person's place of residence or business for the day or stays overnight—island communities without land access are exempt from the mileage requirement under this subsection; or
- from another country or state outside of the person's place of residence or business.

Any recipient that does not submit the report is ineligible to receive local lodging tax revenue until such report is received. Any applicant who received local lodging tax revenue prior to the effective date of this act is ineligible, as of the effective date of this act, to receive any additional local lodging tax revenue, unless the recipient submits the required reports.

Appropriation: None.

Fiscal Note: Requested on February 18, 2017.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This is a tax revenue generated from the lodging industry. These funds are to be reinvested into local programs or projects that will continue to generate lodging revenue and taxes. Overtime, this local money is being used in some communities for things that benefit the quality of life of persons living in the area rather than tourism. This is an attempt to bring this program back to a focus on tourism promotion; this may be the only money a community has for that purpose. Local lodging facilities across the state contribute tax dollars to benefit tourism efforts in local areas. Current law is a bit vague and some communities use these dollars not as intended. These dollars are intended to bring tourists to local communities, which in turn creates jobs, expands the economy, and generates tax dollars. Some funds are used for memorials, floats, hanging baskets, and other general community maintenance. This bill tightens up the law to ensure the taxes are being used as intended to support local tourism efforts. Since 2013, we continue to have issues with how these funds are used. One of the criteria for funding projects is how they replenish the fund. Only way to do that is a head in the bed. We think this is an appropriate way to make sure that happens.

CON: I oppose the measure and wish I could hear the reason for it from the proponents of the bill. Was result of a negotiation in 2013 between counties, cities, hoteliers and other lodging interests. Current reports to JLARC are detailed and onerous, but it has been a good partnership. Counties have a 98 percent compliance rate with reporting. This bill undoes that agreement, which removed the restriction that those funds be used for persons who are coming from 50 miles away. The 2013 agreement made local lodging tax advisory committees more powerful to the recommendations they made for funding to local elected officials; reporting was changed to a better process; and cities and counties got to count persons from neighboring areas. Unwinds what counties and cities have, but not the hoteliers.

Persons Testifying: PRO: Senator Christine Rolfes, Sponsor; Becky Bogard, WA State Destination Marketing Organizations; Morgan Hickel, Washington Hospitality Association/ Government Affairs Manager.

CON: Josh Weiss, Washington State Association of Counties; Victoria Lincoln, Association of WA Cities.

Persons Signed In To Testify But Not Testifying: No one.