
Local Government Committee

ESSB 5228

Brief Description: Concerning the authorization to impose special excise taxes on the sale of lodging in certain counties.

Sponsors: Senate Committee on Local Government (originally sponsored by Senators Takko and Saldaña).

Brief Summary of Engrossed Substitute Bill

- Authorizes a city located within a county that imposed a lodging tax of 4 percent on January 1, 1997, to impose a 2-percent tax on the sale of lodging so long as the city is located within a county with less than 400,000 residents.

Hearing Date: 3/26/19

Staff: Yvonne Walker (786-7841).

Background:

Hotel-Motel Tax.

The state imposes an excise tax of 6.5 percent on the sale of goods and services provided within the state, including the furnishing of lodging for a: hotel; motel; rooming house; private campground; trailer park; or 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 that impose the "state-shared hotel-motel tax" must also provide a credit for a similar tax imposed by any city within the county.

In addition, most counties and cities may levy an additional tax of up to 2 percent. This additional 2-percent tax is not credited against the state sales tax and may only be levied so long

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as the total tax rate, including: the state sales tax, the public facilities district sales tax, the hotel-motel taxes, the city, county and transit district sales taxes, and the convention and trade center tax does not exceed the statutory limit. The combined rate on sales of lodging must not exceed the greater of 12 percent or the rate effective on December 1, 2000, however, the total combined rate for Seattle is 15.2 percent due to a higher convention center tax.

Counties, cities within the county, and cities that had the authority to levy a special tax of 4 percent on lodging prior to July 27, 1997, are allowed a total hotel-motel tax rate higher than 4 percent. These jurisdictions are: Grays Harbor County, Pierce County, Chelan County, the City of Leavenworth, the City of Long Beach, the City of Bellevue, the City of Yakima, and the City of Winthrop. Cities located in counties that had the authority to levy a 4-percent countywide tax before January 1, 1997, are limited to the basic 2-percent rate. This affects cities in Grays Harbor and Cowlitz counties.

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

Summary of Bill:

A city located within a county with a population of fewer than/under 400,000 residents may impose a tax of 2 percent on the sale of lodging.

This act takes effect July 1, 2020.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect on July 1, 2020.