

HOUSE BILL REPORT

HB 2137

As Passed House:

February 8, 2024

Title: An act relating to technical changes to allowable exemptions from charges for tourism promotion area assessments.

Brief Description: Concerning technical changes to allowable exemptions for tourism promotion area assessments.

Sponsors: Representatives Berg, Orcutt, Sandlin, Doglio, Dent and Reeves.

Brief History:

Committee Activity:

Local Government: 1/12/24, 1/19/24 [DP].

Floor Activity:

Passed House: 2/8/24, 97-0.

Brief Summary of Bill

- Allows local governments to exempt lodging businesses, units, or guests from lodging charges imposed within a tourism promotion area.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 7 members: Representatives Duerr, Chair; Alvarado, Vice Chair; Goehner, Ranking Minority Member; Jacobsen, Assistant Ranking Minority Member; Berg, Griffey and Riccelli.

Staff: Kellen Wright (786-7134).

Background:

Within a tourism promotion area, a local government can impose a lodging charge, or

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charges, upon the furnishing of lodging by lodging businesses that have 40 or more lodging units. These charges are distinct from any other special assessment or tax on the sale of lodging. The revenue from the charges can be used by the legislative authority of the local government for tourism promotion within the area.

Formation.

A tourism promotion area can be formed by a county within an unincorporated portion of the county, or by a city within the city. Tourism promotion areas can also extend into another jurisdiction if the local government enters into an interlocal agreement with the jurisdiction. In a county with a population of one million or more, any city that wishes to form a tourism promotion area must enter into an interlocal agreement with another city within the county in order to do so. A city incorporated after January 1, 1990, with a population of more than 89,000 is exempt from this requirement.

Before a tourism promotion area can be formed, an initiation petition must be filed with the local government that has jurisdiction over the area being proposed. The petition must include: (1) the boundaries of the proposed area; (2) the estimated rate of the lodging charge, broken down by the classifications of lodging businesses if the charge will be at a different rate for different classifications; and (3) the signatures of operators of lodging businesses within the proposed area that would pay at least 60 percent of the charge.

The local government must then adopt a resolution to establish the area and hold a hearing on the resolution. The resolution must specify the boundaries of the area, the uses to which the revenue would be applied, an estimate of the costs, and the estimated rates of charges. The resolution must be both published in a newspaper of general circulation within the jurisdiction and mailed to each lodging business within the proposed area at least 10 days prior to the hearing. At the hearing, if lodging businesses that, collectively, would pay more than half of the lodging charges object to the formation of the tourism promotion area, the area cannot be established.

If such objections are not forthcoming, then the local government may adopt an ordinance to establish the area. The ordinance must set the rate of lodging charges to be imposed on the lodging businesses within the area.

Lodging Charges.

There are two lodging charges that can be imposed. The first is the general lodging charge. The maximum rate of this charge is \$2 per night per used room. Different rates can be established for different categories of lodging businesses based only on the number of rooms the business has, the room revenue, or the location of the business within the tourism promotion area. Up to six different classifications, and thus different rates, can be established within the area.

The second charge is an additional lodging charge that is only authorized through July 1, 2027. This charge may be imposed at a rate of up to \$3 per night per used room, and may

similarly be imposed at different rates on different classifications of businesses. Before this additional lodging charge can be imposed, the local government must obtain the signatures of operators of businesses that would collectively pay 60 percent or more of the charge, as well as the proposed use of the additional revenue, the total estimated costs, and the estimated rate of charge for each classification.

A local government that imposes the additional charge must conduct a review of its program and provide the results of the review to the Legislature by January 1, 2026. The review must include an analysis of how revenue from the charges was spent, identify the additional marketing or promotional measures that were conducted because of the revenue from the additional charge, determine whether this additional spending resulted in an increase in tourism, and assess the average additional cost per tourist visit that was a result of the additional charge.

Temporary medical housing is exempt from both lodging charges.

Local governments must contract with the Department of Revenue to collect the lodging charges. The revenue can be used by the local government to promote tourism within, and increase the number of tourists to, a tourism promotion area, including by contracting with or operating marketing organizations. The legislative authority of the local government has the sole discretion over using the revenue, but may appoint an advisory board or commission to advise how the revenue should be used.

Dissolution.

If the local government first imposed a lodging charge for a tourism promotion area after January 1, 2020, then a majority of businesses being assessed the lodging charge may petition the local government to remove it. Once such a petition is received, the local government must remove the charge within 12 months. A local government that imposed a lodging charge prior to January 1, 2020, is not subject to a removal petition unless it adopts the additional lodging charge. If it does, then the local government becomes subject to having lodging charges removed in the same manner as a local government that adopted a charge after January 1, 2020. A local government may also dissolve a tourism promotion area by ordinance, following a hearing.

Summary of Bill:

The legislative authorities of local governments imposing a lodging charge may designate lodging businesses, lodging units, or lodging guests as exempt from the lodging charges imposed within the tourism promotion area.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This is a technical, housekeeping bill to allow tourism promotion areas to continue to function as they were intended. Currently, local governments exempt places like campgrounds and dormitories that do not benefit from the tourism promotion area and that were not meant to be included in paying the lodging charge, but these exemptions are not supported in the current statutory language. This would allow jurisdictions to continue to allow these kind of exemptions, and will allow local governments to craft the exemptions. This would bring the local government ordinances back into alignment with state law, and will give legal and fiscal certainty to communities that have tourism promotion areas. If this is not passed, local governments will have to go back and reformulate existing tourism promotion areas, which can be a laborious process, and that would leave a gap in tourism funding. This bill recognizes the importance of tourism promotion areas and grants them necessary exemptions. This will allow these areas to execute strategies to continue to bring visitors and tourism to the state.

(Opposed) None.

Persons Testifying: Representative April Berg, prime sponsor; Becky Bogard, Washington State Destination Marketing Organizations; Candice Bock, Association of Washington Cities; Montana Miranda, Washington Hospitality Association; and Steve Ewing, Department of Revenue.

Persons Signed In To Testify But Not Testifying: None.