

HOUSE BILL REPORT

HB 1669

As Reported By House Committee On:

Finance

Title: An act relating to the use of hotel, motel, and related businesses tax receipts for tourist promotional structures.

Brief Description: Extending hotel/motel tax authorization for tourist promotional structures to cities wholly located on an island.

Sponsors: Representatives Beeksma, Sehlin, Quall, Hargrove, Hymes and Costa.

Brief History:

Committee Activity:

Finance: 2/15/95, 2/27/95 [DPS].

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives B. Thomas, Chairman; Boldt, Vice Chairman; Carrell, Vice Chairman; Morris, Ranking Minority Member; Dickerson, Assistant Ranking Minority Member; Hymes; Mason; Mulliken; Pennington; Schoesler; Sheldon and Van Luven.

Staff: Bob Longman (786-7139).

Background: A special sales tax on hotel-motel room rentals was first authorized in 1967 for King County to build the Kingdome. The rate was 2 percent, and was levied on sales of lodging by hotels, rooming houses, tourist courts, motels, and trailer camps throughout the county. The Legislature allowed the tax to be credited against the state sales tax rate. The 1973 Legislature extended this taxing authority to all cities and counties, and expanded the uses to include convention centers as well as sports facilities. The uses have since been expanded to provide financing for a variety of facilities and programs, including the construction and operation of stadiums, convention center facilities, performing arts facilities, visual arts center facilities, and promoting tourism. Some jurisdictions have special authorizations to use the revenue for particular purposes, such as tall ship tourist attractions, ocean beach boardwalks, and public restrooms.

The basic tax is a credit against the state sales taxes that are imposed on hotel-motel room rental charges. Therefore, the total amount of tax paid by the consumer is not increased as a result of the basic hotel-motel tax.

In recent years, the Legislature has authorized additional state and local option hotel/motel taxes and has significantly expanded the uses of revenues. The newer local option taxes are not credited against the state sales tax rate. Therefore, these taxes increase the total amount of tax paid by the consumer.

Specifically allowed uses of hotel/motel tax revenue include funding special events or festivals or promotional infrastructures including but not limited to an ocean beach boardwalk. This authority applies only to cities bordering on the Pacific Ocean or on Baker Bay with a population of not less than 800 and the county in which such a city is located.

Summary of Substitute Bill: A city wholly located on an island may use hotel/motel tax proceeds for tourist promotional infrastructures, structures, or buildings, including but not limited to public docks and viewing towers. Coupeville, Langelly, Oak Harbor, and Friday Harbor are cities located on islands.

Substitute Bill Compared to Original Bill: The substitute adds references to structures, buildings, public docks, and viewing towers as specifically allowable uses of tax proceeds.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 28, 1995.

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

Testimony For: Oak Harbor needs economic diversification, and tourism is a good choice. This bill provides a way for the city to enhance tourism. A broader bill that has the same standards for all local governments would be better.

Testimony Against: None.

Testified: (pro) Representative Barney Beeksma, prime sponsor; Phil Boyle, City of Oak Harbor; Steve Gerbaugh, Oak Harbor City Council; and (with concerns) Becky Bogard, Washington State Hotel and Motel Association.