

October 2012



# Lodging Tax

## Background

In 2007, the Legislature granted new uses for hotel-motel, or lodging, tax revenue, including:

- Funding the operation of special events and/or festivals designed to attract tourists (as opposed to “marketing”); and
- Funding the operations and capital expenditures of tourism-related facilities owned by non-profit organizations.

The legislation contained a sunset (or expiration) date of June 30, 2013. Unless the Legislature extends or removes the sunset, the expanded uses listed above are scheduled to expire on that date.

## 2013 Legislation Likely

AWC has heard from many cities across the state that strongly support these expanded uses and have taken advantage of the flexibility. During the 2012 legislative session, AWC supported a bill that extended the expiration date to December 31, 2014 and modified some of the reporting requirements. The bill was met with strong opposition from the hotel industry and failed.

Similar legislation likely will be introduced in the 2013 legislative session.

## 2013 Expenditures

Unless the legislature changes or removes the June 30 expiration date, cities may not be able to make awards for these expanded uses after June 30, 2013. We’ve heard that some cities are considering expending money for these uses before the June 30 deadline - even though the event occurs after that date—and others may make awards contingent on a legislative change. We strongly encourage you to discuss these options with legal counsel before moving forward.

## We Need Your Help

Cities again are likely to face opposition in removing or extending the sunset date. If flexibility in using this revenue is important to your city, please share local examples with your Legislators.

## What is the lodging tax?

The lodging tax, also known as the local hotel-motel tax, is applied to charges for lodging at hotels, motels, private campgrounds, RV parks, and similar facilities for stays less than one month. All cities and counties that levy the tax have adopted the maximum rate of 2%. The tax is credited against the state retail sales tax. Cities and counties may also levy an additional 2% lodging sales tax.

Approximately 150 cities levy the basic lodging tax and 110 levy the additional tax. Combined, these taxes generated approximately \$36 million for cities in 2011.

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## Hotel-Motel Tax Alert

Posted on June 15, 2012 by [Judy Cox](#)

Are you getting ready to solicit applications for use of your hotel-motel tax (lodging tax) for 2013? Will you be listing any of the following items as permitted uses?



- operation (as opposed to “marketing”) of special events and/or festivals designed to attract tourists
- support of the operations and capital expenditures of tourism-related facilities owned by non-profit organizations

Well, you may not be able to make awards for these kinds of expenditures to take place **after June 30, 2013**, unless the legislature changes that expiration date in (or removes it altogether from) the statutes.

**What’s going on?** Some of you may remember that these new uses were added in 2007 when the legislature passed **SSB 5647**, ch. 497, Laws of 2007. But do you remember that the legislation also included an expiration or “sunset” date of June 30, 2013, for these changes? An additional feature of the legislation was a requirement that any jurisdiction that made awards (even to itself) for any of these expanded uses of hotel-motel tax funds had to submit an annual economic impact report to the Department of Community, Trade and Economic Development (now the Department of Commerce) so that the Joint Legislative Audit and Review Committee (JLARC) could make a **report** to the legislature in 2012.

**What is the legislature doing?** During this past legislative session, Senator Karen Fraser, the author of the 2007 legislation, introduced a bill (**SSB 6446**) that changed the expiration date to December 31, 2014. It included language that the Department of Commerce must, by December 15 of each year,

“ . . . compile the results of the economic impact reports to determine the economic impact of lodging revenues used to support festivals, special events, and tourism-related facilities owned or sponsored by a nonprofit organization and submit the results to the appropriate committees of the legislature.”

In an effort to increase the number of entities submitting economic impact reports, another section required the Department of Commerce, with the assistance of the Association of Washington Cities (AWC) and the Washington State Association of Counties (WSAC), to send notices each February to cities and counties that had failed to submit a report.

This bill was met with strong opposition from lobbyists for the hospitality industry. And, AWC was unable to make a case well enough in a short amount of time to get it passed. At the Department of Revenue’s Local Government Partnership meeting on June 1, Victoria Lincoln of AWC said another bill will probably be introduced in the 2013 legislative session. In the meantime, AWC will be gathering more information on how cities are taking advantage of the expanded uses of hotel-motel tax funds and suggestions on how the reporting form could be improved.

**But what do we do about awards we want to make in the coming months for 2013?** Good question.

1. If none of the awards are for any of the expanded uses that will expire in 2013, you don’t have to do anything different than you always do. You are not affected.

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2. If an award is for one of the expanded uses, but the expenditures will be completed by June 30, 2013, you are not affected.
3. If an award is for one of the expanded uses and at least some of the expenditures will take place after June 30, 2013, you are in a tough spot. One city I talked to said it might make an award “contingent “on the expiration date getting changed during the 2013 legislative session. That is permissible. However, next year, the regular legislative session won’t end until the latter part of April. And, sometimes there are special sessions. Any organization getting an award that is contingent on the 2013 legislature extending the date for these uses will have to be flexible and able to live with the uncertainty.

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**About Judy Cox**

Judy is MRSC’s expert on budgeting, revenue options and forecasting, financing capital projects, and everything else related to local government finance. If you’ve got a money question, Judy’s your go-to resource.

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