

# HOUSE BILL REPORT

## HB 1531

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**As Reported by House Committee On:**

Finance

**Title:** An act relating to the taxation of lodging.

**Brief Description:** Modifying the taxation of lodging.

**Sponsors:** Representatives Morris and Cairnes.

**Brief History:**

**Committee Activity:**

Finance: 2/7/01, 2/15/01 [DPS].

**Brief Summary of Substitute Bill**

- Exempts lodging furnished for continuous period of one month or more from sales taxes.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

**Staff:** Bob Longman (786-7139).

**Background:**

State and local sales taxes apply to lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. Hotel-motel taxes are special sales taxes on lodging rentals.

Lodging rentals are subject to sales and hotel-motel taxes when the period of occupancy is less than 30 days. When the period of occupancy is 30 days or more, the transaction is considered a rental or lease of real property and is exempt from tax.

**Summary of Substitute Bill:**

The furnishing of lodging and all other services for a continuous period of one month or more constitutes a rental or lease of real property, and is exempt from tax. Continuous occupancy of a specific lodging unit by the same person is no longer required.

**Substitute Bill Compared to Original Bill:**

The substitute bill clarifies the definition of nontransient accommodations that are exempt from tax. Other hotel-motel tax statutes are amended to conform to this exemption.

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**Appropriation:** None.

**Fiscal Note:** Requested on February 15, 2001.

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

**Testimony For:** Airlines and other companies frequently rent a block of rooms for their traveling employees. These rentals are for more than 30 days. Some Department of Revenue auditors interpret the exemption as only applying when specific rooms are rented for more than 30 days. Other auditors are more flexible. It is often impractical to reserve specific rooms. For example, non-smoking employees should have non-smoking rooms. It may be necessary to change the specific room reservations to accommodate other employee needs. This bill clarifies that the exemption is based on the furnishing of lodging for more than 30 days rather than upon the occupancy of specific rooms. This will provide a uniformly applied rule that is fair to all.

**Testimony Against:** None.

**Testified:** Representative Morris, prime sponsor; Linda Hull, Air Transport Association; Becky Bogard, Hotels and Lodging Association; and Joe Daniels, city of SeaTac.