

HOUSE BILL REPORT

HB 2250

As Reported by House Committee On:
Finance

Title: An act relating to modifying state and local lodging taxes used for convention and trade facilities.

Brief Description: Modifying state and local lodging taxes used for convention and trade facilities.

Sponsors: Representative Hunter.

Brief History:

Committee Activity:

Finance: 2/27/09, 3/2/09 [DP].

Brief Summary of Bill

- Reduces the City of Seattle convention center tax by 1 percent beginning on January 1, 2021.
- Eliminates the City of Seattle convention center tax beginning January 1, 2030.
- Reduces the state convention center tax rates by 14.3 percent beginning January 1, 2030.
- Modifies distributions into the State Convention and Trade Center Account and State Convention and Trade Center Operations Account to reflect lower tax rates for the state convention center tax.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Condotta, Conway, Ericks, Santos and Springer.

Staff: Jeffrey Mitchell (786-7139)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

A state "convention center" tax applies to lodging within King County. This special sales and use tax applies only to the sale of lodging in hotels, motels, and similar facilities in King County with at least 60 units. The tax applies only when a lodging unit is used for a continuous period of less than one month (longer use is considered as a rental of real property, rather than a "license" to use the property). The tax rate is 7.0 percent within the City of Seattle and 2.8 percent throughout the remainder of King County. The rates will drop to 6 and 2.4 percent respectively when the bonds to finance construction or expansion of the convention center are retired. All proceeds of the convention center tax are devoted to the state convention center facility located in Seattle. Receipts are deposited into two accounts within the State Treasury: (1) the State Convention and Trade Center Account (used for acquisition, design, and construction of facilities and retirement of bonds); and (2) the State Convention and Trade Center Operations Account. Currently, 85.71 percent of the tax receipts go to the construction account and the remainder may be used for operations.

The City of Seattle imposes a 2 percent tax (local convention center tax) to the same charges for accommodations as the state convention center tax. The 2 percent tax is credited against the state retail sales tax, so that it does not increase the cost of room rentals to customers. All of the revenues are deposited in the State Convention and Trade Center Account and are dedicated to costs of expanding the convention center. Thus, the effect of this tax is to shift funds from the State General Fund to the State Convention and Trade Center Account within the State Treasury.

Summary of Bill:

Beginning January 1, 2021, the local convention center tax rate imposed by the City of Seattle is lowered from 2 percent to 1 percent. The City of Seattle may not impose the tax beginning on January 1, 2030.

Beginning January 1, 2030, the state convention center tax rate is lowered from 7 percent to 6 percent in the City of Seattle and from 2.8 percent to 2.4 percent in the remainder of King County.

Beginning January 1, 2030, the distributions of the state convention center tax into the State Convention and Trade Center Account and State Convention and Trade Center Operations Account are modified to reflect the lower tax rates.

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) The convention center in Seattle has been very successful. It has attracted numerous people to the area and driven up the number of hotel stays in the area. Hotel stays have increased so much that the convention center will become self-sustaining and the state's contribution will no longer be needed. Eventually, the revenue from the taxes will be greater than the debt payments and tax rates can be reduced.

(With concerns) Currently, the convention center is seeking legislative approval to move forward with the planning for another expansion of the center. We are about one year away from bringing back information that will allow the Legislature to make an informed decision about an expansion. We agree with the spirit of the legislation. However, we are concerned that this bill would impede the financing of the expansion of the convention center. We ask that this legislation be withheld until the facts and figures on the proposed expansion are available.

(Opposed) None.

Persons Testifying: (In support) Representative Hunter, prime sponsor.

(With concerns) John Christison, Washington State Convention Center; and Craig Schafen, Advocates for Convention Center Expansion.

Persons Signed In To Testify But Not Testifying: None.