

SPECIAL LOCAL HOTEL-MOTEL TAXES  
Chapters 67.28, 67.40, 35.101 and 36.100 RCW

Tax Base      SPECIAL HOTEL-MOTEL TAX. Charges for lodging at hotels, motels, rooming houses, private campgrounds, recreational vehicle parks, and similar facilities for continuous periods of less than one month.

ROOM CHARGE. A fee applies to each room that is rented for less than 30 days in lodging facilities that have 40 or more rooms; it is based on the number of days the room is rented.

Tax Rates      HOTEL-MOTEL TAX. 2 percent, with certain exceptions for jurisdictions which prior to 1997 were authorized to levy up to 3 percent (RCW 67.28.181).

Some of the special lodging tax rates depend upon the number of rooms at the establishment. Generally, these taxes are devoted to financing local convention center facilities; it is believed that the larger hotels have more to benefit in the way of conventions and thus a higher rate is justified for establishments with more rooms. Examples are:

Cowlitz County and all five cities in that county:  
2% for up to 39 rooms; 3% for 40 or more rooms.

Bellevue  
Special hotel-motel tax: 3% for up to 59 rooms;  
Bellevue convention center tax: 3% for 60 or more rooms;  
State convention center tax: 2.8% for 60 or more rooms.

Pierce County and most cities in that county\*  
2% for up to 25 rooms; 5% for 26 or more rooms.

Spokane County and all 12 cities (except Airway Heights)  
no tax for up to 39 rooms; 2% for 40 or more rooms.

Airway Heights:  
1.9% for up to 39 rooms; 3.9% for 40 or more rooms.

\*except Fife, Lakewood and Puyallup

The combined rate of state and local retail sales tax (except the Regional Transportation Authority tax), the state convention center tax, and any special hotel-motel taxes may not exceed 12 percent in any municipality except the city of Seattle,

where the maximum rate is 15.2 percent (thus precluding any special hotel-motel tax in Seattle). (RCW 67.28.181(2,c)) However, a higher aggregate rate cap applies for jurisdictions which previously levied higher hotel-motel tax rates. (See example for Bellevue in the discussion section below.) Also, it is important to note that the statutory limit of 15.2 percent does not include the local sales tax for high capacity transit; thus, the actual rate limit within Seattle is 15.6 percent.

**ROOM CHARGE.** The new room charge was authorized in 2003. It allows certain cities and counties to impose a fee of up to \$2 per day for each day that a lodging unit is rented (in facilities with 40 or more units). The statute provides for classification of lodging units with different rates for each; such classifications may be based on total number of units available, total lodging revenues, or the specific location within a tourism promotion area. (RCW 35.101.050)

Levied by **HOTEL-MOTEL TAX.** Cities and counties, pursuant to RCW 67.28.181. Unlike the state-shared 2 percent hotel-motel tax, these taxes are not credited against the state sales tax, so there is an additional burden for consumers. Currently, 26 counties and 109 cities levy additional special hotel-motel taxes.

Also, public facilities districts (PFDs) may levy an additional lodging tax of up to 2 percent, pursuant to RCW 36.100.040; such tax is restricted to facilities with at least 40 units. It is believed that one PFD does levy the tax under this authorization.

**ROOM CHARGE.** The daily room charge may be levied by any county or city. However, in King County the legislative authority must be comprised of at least two local jurisdictions. Currently, two counties and six cities have imposed the room charge.

### Administration

Department of Revenue. An amendment in 2009 authorized reimbursement for collection costs by the Department for the room fee, pursuant to contract between the local jurisdiction and the Department. Both the special hotel-motel tax and the daily room charge are reported by hotels and motels on the Combined Excise Tax Return and the funds are distributed by the State Treasurer on a monthly basis.

### Distribution of Receipts

Special hotel-motel taxes are returned to the appropriate city, county, or public facility district within two months following their receipt from the hotels and motels. Use of the funds is restricted to promotion of tourism or construction and operation of tourism-related facilities.

Receipts of the daily room charge are deposited by the State Treasurer in the local tourism promotion account and are distributed to levying jurisdictions monthly. The receipts must be used for tourism promotion programs.

Exemptions, Deductions and Credits

The special hotel-motel taxes must allow exemption for lodging of homeless persons via a voucher program which provides reimbursement by a public agency or private organization that offers emergency food and shelter services.

RCW 67.28.200 allows municipalities that impose a local hotel-motel tax to provide for “reasonable” exemptions.

Recent Distributions (\$000)

In calendar year 2009 \$26.5 million was distributed to cities and counties in special local hotel-motel taxes. During the same period a total of \$3.7 million was produced for tourism promotion activities as a result of the room charge.

<u>Calendar Year</u>	<u>Special Hotel-Motel Tax</u>		<u>Daily Charge on Rooms</u>	
	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>
2009	\$18,457	\$8,088	\$1,412	\$2,306
2008	20,127	8,593	1,415	2,474
2007	20,022	7,908	1,433	2,536
2006	17,685	6,896	1,152	2,447
2005	15,377	5,989	1,182	2,231
2004	13,999	5,449	193	739
2003	13,547	4,938	--	--
2002	13,171	4,521	--	--
2001	13,196	4,260	--	--
2000	13,422	4,294	--	--

History

The initial additional hotel-motel tax was authorized in 1982 when Bellevue was allowed to levy a 3 percent tax to finance its convention center (at the same time that the state convention center tax on lodging was imposed in Seattle and the remainder of King County). In 1987, a 2 percent tax was provided for the convention center in Pierce County; cities within the same county could also levy the tax. The following year 3 percent taxes were authorized for Ocean Shores, Yakima County, and Pacific County, as well as the 2 percent tax for the public facility district in Spokane County. In 1991, authority for a 3 percent tax was provided for Westport, Friday Harbor, and San Juan County. In 1993,

special hotel-motel taxes were extended for Grays Harbor County, Cowlitz County, and Pasco, followed by a 2 percent tax in Snohomish County the following year. In 1995, new authority was enacted for hotel-motel taxes in Chelan, Leavenworth, Wenatchee, and East Wenatchee. Also, in that year the authority for a tax by public facility districts was extended from Spokane County to any county.

A separate convention center tax was authorized in 1987 for Pierce County and cities within the same county pursuant to RCW 67.28.182 at a rate of 2 percent. The allowable tax rate was increased to 5 percent in 1995. This statute was repealed in 1997 but the authority was rolled into RCW 67.28.181.

Legislation enacted in 1997 and 1998 repealed all of the various special hotel-motel taxes which had been allowed for particular jurisdictions and replaced these statutes with generic authorization for any municipality.

In 2003, a tourist promotion daily charge on rooms of up to \$2 per day per room was authorized to provide additional local funding for promotion of tourism. Originally, the authority was limited to 38 counties other than King. The room charge was extended to King County in 2009; however, the legislative authority must be comprised of at least two local jurisdictions.

### Discussion/Major Issues

Approximately 2,680 firms report special hotel-motel taxes and about 150 lodging establishments currently report the daily room charge.

Over the past decade there had been a growing number of special hotel-motel taxes authorized for certain cities and counties. Generally, the permitted use of the funds was for a tourist-related activity or facility. There were many requests by other local governments for similar taxing authority, as jurisdictions competed to attract tourists. With the new uniform authority for such taxes in any municipality, there has been a significant increase in the number of levying jurisdictions, starting in 1998.

RCW 67.28.181(1) applies a 12 percent limit on the combined sales and hotel-motel tax rates (except for the RTA sales tax) in cities other than Seattle. With grandfathering of previously imposed hotel-motel taxes provided by the statute, the maximum combined tax rate for Bellevue is 14 percent. As a result, the local sales tax rate which applies in the city of Bellevue on lodging facilities with 60 units or more must be reduced. Otherwise, the aggregate tax rate on such sales would total 14.2 percent (state convention center tax, 2.8 percent; municipal special hotel-motel tax rate, 3 percent; state retail sales tax rate, 6.5 percent; and aggregate local retail sales tax rate, 1.9 percent = 14.2 percent). The excess tax rate of 0.2 percent is taken from the King County transit tax rate of 0.9 percent.

Unlike the 2 percent state-shared local hotel-motel tax, the special local taxes are in addition to the combined state and local retail sales tax. Thus, the overall sales and hotel-motel tax

rate is in the range of approximately 10 to 11 percent for most jurisdictions. While comparable special lodging taxes are levied in tourist destination cities in many other states, the combined tax rate in Washington is considered to be quite high and may have a detrimental impact on efforts to encourage tourism and conventions in this state.