

CONVENTION CENTER TAXES
RCW 36.100.040(4 and 5)

REVISED: December, 2010

Tax Base Charges for lodging within King County. The taxes apply only to hotels and motels in King County with at least 60 units. The transient lodging taxes apply 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).

Tax Rate

COUNTY-WIDE TAX. Transient rental tax – King County (RCW 36.100.040(4))

Rates:

7.0 percent - within the city of Seattle

2.8 percent - throughout the remainder of King County

ADDITIONAL TAX. Transient rental tax – within Seattle (RCW 36.100.040(5))

Rate: 2 percent

The additional tax that applies within Seattle is levied on the same charges for accommodations as the 7.0 - 2.8 percent tax; however, it is limited to hotel facilities within the city of Seattle. Further, 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. Thus, the effect of this tax is to shift funds from the state general fund to the public facilities district on a temporary basis. RCW 36.100.040(6) stipulates that the receipts of the 2.0 percent additional tax must be repaid by the public facilities district to the state, starting on June 30, 2012 (first full fiscal year following the transfer of the tax to the PFD on November 30, 2010). The purpose of the additional 2.0 percent tax is to increase the bonding capacity of the PFD.

Levied by

Both taxes are levied by the Washington State Convention Center Public Facilities District. Although the PFD owns and operates the Washington State Convention Center (starting November 30, 2010), it is considered as a local taxing district.

Administration

Department of Revenue. The tax is reported on the Combined Excise Tax Return by hotels, motels, and other facilities that provide lodging on a temporary basis.

Distribution of Receipts

COUNTY-WIDE TAX. Proceeds of the 7.0% - 2.8% convention center tax are devoted to the convention center facility, located in Seattle. Prior to November 30, 2101, receipts were deposited into two accounts within the state treasury: (1) 85.71 percent for the state convention and trade center account (used for acquisition, design, and construction of facilities and retirement of bonds) and (2) 14.29 percent for the state convention and trade center operations account. Effective November 30, 2010, the two parts of the state convention center tax were abolished, and all of the tax receipts are now distributed to the Public Facilities District.

ADDITIONAL TAX. Receipts of the 2 percent tax are taken from the state general fund due to the crediting against state sales tax and are transferred to the Public Facilities District. The tax proceeds are used for payment of principal and interest on bonds for the facility, as well as for repayment of the sales tax to the state.

Recent Collections (both taxes) (\$000)

Considered as state revenues through November, 2010. Starting in December, 2010, the collections will be considered as local revenue, attributable to the Public Facilities District.

<u>Fiscal Year</u>	<u>Collections</u>	<u>% Change</u>	<u>% of All State Taxes</u>
2010	\$50,809	(11.3)%	-.-
2009	57,253	(6.8)	0.4%
2008	61,463	9.8	0.4
2007	55,995	13.1	0.3
2006	49,514	15.3	0.3
2005	42,948	5.5	0.3
2004	40,703	5.9	0.3
2003	38,432	3.3	0.3
2002	37,190	(7.6)	0.3
2001	40,254	21.5	0.3
2000	33,132	8.4	0.3

Exemptions, Deductions and Credits

Temporary medical housing which is exempt from sales tax under RCW 82.08.997 is not subject to the convention center taxes.

History

This tax was first effective on April 1, 1982, at rates of 3 percent (Seattle) and 2 percent (rest of King County). From January 1, 1983, through June 30, 1988, the Seattle rate was increased to 5 percent, but the rate stayed at 2 percent throughout the remainder of the county. On July 1, 1988, the rates became 6 and 2.4 percent respectively, and on January 1, 1993, the 7.0 and 2.8 percent rates took effect.

Legislation in 1995 eliminated the previous "change date" when the current tax rates would drop to 6 and 2.4 percent. However, the statute continues to require the calculation and certification by the State Treasurer. Also in 1995, the Legislature authorized the additional 2 percent tax which is credited against the state sales tax and which is used for expansion of the convention center facility. However, the 1995 statute specified that this tax could not be levied before January 1, 2000, the date on which the 2 percent tax was implemented.

In 2002 the tax base was clarified so that long-term rentals would not be subject to the tax, even though the same individual units were not utilized for each of the 30 plus days.

A major change in the ownership and financing of the state convention center facility took place on November 30, 2010, pursuant to SSB 6889 from the 2010 legislative session (Chapter 15, Laws of 2010, Special Session). This legislation transferred the convention and trade center facility, and the taxes which finance the facility, from the public, nonprofit corporation which previously owned and operated the facility to a local public facilities district. The legislation specified that the transfer was to take place sometime during fiscal year 2011; the transfer took place on November 30, 2010.

Discussion/Major Issues

There are approximately 227 hotels in King County that report the convention center tax.

One of the purposes for constructing a major convention and trade facility was to increase tourism within the state. It was presumed that the hotel/motel industry would benefit, particularly the larger hotels near the convention and trade center. This accounts for the two-tier rate structure and the exclusion of smaller hotel facilities.

The convention center tax is in addition to the retail sales tax. Thus, the combined tax rate for hotels and motels with 60 or more units within Seattle is presently 15.6 percent (the local transit tax on accommodations is only 0.6 percent instead of 0.8 percent, the 2009 increase of 0.5 percent in the RTA sales tax does not apply, and the 0.1 percent mental health tax does not apply, due to the limitation in RCW 67.28.181). Such a high rate may discourage some tourists/convention planners. Other large cities throughout the country have special hotel occupancy taxes at relatively high rates, but the combined rate in few cities exceeds Seattle's rate.