

## Lodging Taxes a/k/a Hotel/Motel Taxes Frequently Asked Questions

### What Is This Tax and What Are the Tax Rates?

(1) “Regular” or “Basic” Hotel/Motel Tax Distributions – 2% (RCW 67.28.180):

The “regular” (also referred to as “basic” or state-shared) hotel/motel tax distributions are for a local option tax of two percent (2%) on sales of hotel/motel rooms. It is paid on all charges for lodging at hotels, motels and similar establishments, including bed and breakfasts and RV parks, where there is a continuous stay of less than one month.

The tax is **not** paid in addition to other state and local taxes. Instead, it is credited against the state’s six and one-half percent (6.5%) retail sales tax (thus shifting the impact to the state general fund). The total tax a patron pays in retail sales tax and the hotel/motel tax combined is equal to the retail sales tax in the jurisdiction.

Cities can levy the regular hotel/motel tax within their corporate limits and counties can levy the tax in unincorporated areas and within cities that do not levy the tax.

Cowlitz County and all cities in Cowlitz County have authorized 2%.

(2) “Additional” or “Special” Local Hotel/Motel Taxes – 2% (RCW 67.28.181(1)):

Additional (also referred to as “special”) hotel/motel taxes were previously authorized by statute for specific cities and counties for specific purposes. These taxes are paid in addition to all other state and local sales taxes and may be equal to the lesser of two percent (2%) or a rate when combined with other taxes imposed on lodging does not exceed twelve per cent (12%).

The following taxes are included in the twelve percent (12%) limitation:

- RCW 36.100 (PFD)
- RCW 82.08 (state sales tax)
- RCW 82.14 (city, county, public facilities district and transit district sales tax)
- RCW 67.28 (hotel/motel tax)
- RCW 67.40 (convention and trade center tax)

Cowlitz County has authorized collection of 2%.

(3) Voter Approved Hotel/Motel Tax – 1% for Public Facilities District (PFD) (RCW 36.100.040):

On September 16, 2003, voters of Cowlitz County approved a lodging tax of 1% to be imposed on facilities with 40 or more units. On November 24, 2003 the PFD authorized collection. The effective date was April 1, 2004.

(4) Rates as of January 1, 2015 are as follows:

All facilities of up to 40 units	4%
Facilities with 40 or more units	5% (includes PFD rate of 1%)

### **How Can the Revenues Be Used? (RCW 67.28.1815):**

All hotel/motel taxes received by municipalities are to be credited to a special fund in the treasury of the municipality.

Lodging tax revenues may be used, directly by any municipality or indirectly through a convention and visitors bureau or destination marketing organization for:

- tourism marketing
- marketing and operations of special events and festivals designed to attract tourists
- Supporting the operations and capital expenditures of tourism-related facilities owned or operated by a municipality or a public facilities district created under chapters 35.57 and 36.100 RCW; or
- Supporting the operations of tourism-related facilities owned or operated by nonprofit organizations described under 26 U.S.C. Sec. 501(c)(3) and 26 U.S.C. Sec. 501(c)(6) of the internal revenue code of 1986, as amended.
- Municipalities may, under RCW 39.34 (Interlocal Cooperation Act) agree to the use these revenues for the purposes of funding a multi-jurisdictional tourism-related facility.

### Reports Required – How will the Money Promote Tourism?

Applicants applying for use of revenues must provide the municipality to which they are applying estimates of how any moneys received will result in increases in the number of people traveling for business or pleasure on a trip:

- away from their place of residence or business and staying overnight in paid accommodations;
- to a place fifty miles or more one way from their place of residence or business for the day or staying overnight; or
- From another country or state outside of their place of residence or their business.

### Funds Spent by Private Organizations:

- Because of the state constitutional prohibition on gift of public funds (Article 8, Section 7), a county/city providing funds to a private organization should enter into agreement with any such private organization providing marketing services or other tourist promotion activity describing:
  - Deliverables: tourist-related facilities or services to be provided (Note: expenditures must be on items and activities that the local government itself could fund. This prohibits, for example promotional hosting.)
  - Funding provided by local government (grants not allowed)
  - Payment schedule (note: payment can only be made after services have been provided supported by adequate documentation)
  - Reports required
  - Methods to measure performance

**Lodging Tax Advisory Committee (RCW 67.28.1817):**

Any county, city or town that has imposed the hotel/motel tax and has a population of 5,000 or more must have a Lodging Tax Advisory Committee (LTAC).

Currently there are three LTAC: Longview, Kelso, & Woodland  
Status of County LTAC – unknown

- Five members are appointed by the legislative body
  - 2 representatives from business that collect hotel/motel tax
  - 2 representatives involved in activities funded with hotel/motel tax
  - 1 elected official of the municipality who is to serve as Chair of the Committee
  - Optional: 1 non-voting county official may sit on a city LTAC
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- Duties include providing comments to the local government on
  - any proposal to impose a new tax,
  - raise the rate of an existing tax,
  - repeal an exemption from the tax, or
  - change the use of the tax proceeds
  - review applications for the use of funds
    - LTAC selects candidates and provides a list and recommended funding amounts to the municipality for final determination
    - Municipality chooses recipients from list provided by the LTAC

**Reports to Joint Legislative Audit & Review Committee (JLARC)**  
**(RCW 67.28.1816 & 8001):**

Statute amended May 2013 HB 1253' 63<sup>rd</sup> WA State Legislature 2013 Regular Session

Municipalities expending lodging taxes must report to JLARC on or before March 15 each year, how the monies received will:

- Describing the actual number of people traveling for business or pleasure on a trip:
  - Away from their place of residence or business and staying overnight in paid accommodations;
  - To a place fifty miles or more one way from their place of residence or business for the day or staying overnight; or
  - From another country or state outside of their place of residence or their business

### Statutory Definitions

The permitted uses of the tax revenues generated are more fully explained in the definitions section RCW 67.28.080:

- (1) "Acquisition" includes, but is not limited to, siting, acquisition, design, construction, refurbishing, expansion, repair, and improvement, including paying or securing the payment of all or any portion of general obligation bonds, leases, revenue bonds, or other obligations issued or incurred for such purpose or purposes under this chapter.
- (2) "Municipality" means any county, city or town of the state of Washington.
- (3) "Operation" includes, but is not limited to, operation, management, and marketing.
- (4) "Person" means the federal government or any agency thereof, the state or any agency, subdivision, taxing district or municipal corporation thereof other than county, city or town, any private corporation, partnership, association, or individual.
- (5) "Tourism" means economic activity resulting from tourists, which may include sales of overnight lodging, meals, tours, gifts, or souvenirs.
- (6) "Tourism promotion" means activities, operations, and expenditures designed to increase tourism, including but not limited to advertising, publicizing, or otherwise distributing information for the purpose of attracting and welcoming tourists; developing strategies to expand tourism; operating tourism promotion agencies; and funding the marketing of or the operation of special events and festivals designed to attract tourists.
- (7) "Tourism-related facility" means real or tangible personal property with a usable life of three or more years, or constructed with volunteer labor that is:
  - (i) owned by a public entity
  - (ii) owned by a nonprofit organization described under section 501(c)(3) of the federal internal revenue code of 1986, as amended; or
  - (iii) owned by a nonprofit organization described under section 501(c)(6) of the federal internal revenue code of 1986, as amended, a business organization, destination marketing organization, main street organization, lodging association, or chamber of commerce and (b) used to support tourism, performing arts, or to accommodate tourist activities.

[2013 c 196 § 2. Prior: 2007 c 497 § 1; 1997 c 452 § 2; 1991 c 357 § 1; 1967 c 236 § 1.]

## Flow Chart for Distribution of Hotel/Motel Tax Receipts

Last Updated 1/30/2015

