Lodging Taxes: Beyond the Sunset

June 4, 2013
Today’s Presenters:

Cathie Butler
Communications Manager
City of Olympia

John Woolley, Deputy Legislative Auditor
Peter Heineccius, Research Analyst
Joint Legislative Audit and Review Committee

Cindy Evans
Manager of Legal Affairs
Washington State Auditor’s Office

Moderated by Victoria Lincoln, Association of Washington Cities
Lodging Tax in Washington State

- Tax on Overnight Lodging
- RCW 67.28 - Public Stadium, Convention, Arts and Tourism Facilities
- Uses Per State Law – Tourism Marketing (including special events); Tourism-Related Facilities (operations and capital, with restrictions)
ENGROSSED SUBSTITUTE HOUSE BILL 1253

Chapter 196, Laws of 2013
63rd Legislature
2013 Regular Session

LODGING TAX
EFFECTIVE DATE: 07/01/13

Passed by the House April 24, 2013
Yeas 90 Nays 7

Passed by the Senate April 15, 2013
Yeas 47 Nays 1
RCW 67.28.080. Definitions. (Expires June 30, 2013.)

*** CHANGE IN 2013 *** (SEE 1253, S.L.) ***

The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

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: (a) Owned by a public entity; (b) owned by a nonprofit organization described under section 501(c)(3) of the federal Internal Revenue Code of 1986, as amended; or (c) owned by a nonprofit organization described under section 501(c)(6) of the federal Internal Revenue Code of 1986, as amended.

8) “Tourist” means a person who travels from a place of residence to a different town, city, county, state, or country, for purposes of business, pleasure, recreation, education, arts, heritage, or culture.

[2007 c 497 § 1; 1997 c 452 § 2; 1991 c 357 § 1; 1987 c 236 § 1]

Notes:

Intent — 1997 c 452: "The intent of this act is to provide uniform standards for local option excise taxation of lodging." [1997 c 452 § 1.]

Severability — 1997 c 452: "If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other circumstances is not affected." [1997 c 452 § 24.]

Savings — 1997 c 452: See note following RCW 67.28.181

Effective date, application — 1991 c 357: "This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its institutions and shall take effect immediately [effect immediately (May 21, 1991)] This act applies retroactively to all actions taken under chapter 67.28 ROW on or after January 1, 1990." [1991 c 357 § 1.]

City of Olympia | Capital of Washington State
RCW 67.28.1816. Tourism Promotion

*** CHANGE IN 2013 *** (SEE 2013 S.B. 511) ***

(1) Lodging tax revenues under this chapter may be used, directly by local jurisdictions or indirectly through a convention and visitors bureau or destination marketing organization, for the marketing and operations of special events and festivals and to support the operations and capital expenditures of tourism-related facilities owned by nonprofit organizations described under section 501(c)(3) and section 501(c)(6) of the internal revenue code of 1986, as amended.

(2) Local jurisdictions that use the lodging tax revenues under this section must submit an annual economic impact report to the “department of community, trade, and economic development” for expenditures made beginning January 1, 2008. These reports must include the expenditures by the local jurisdiction for tourism promotion purposes and what is used by a nonprofit organization exempt from taxation under 26 U.S.C. Sec. 501(c)(3) or 501(c)(6). An economic impact report, at a minimum, must include: (a) The total revenue received under this chapter for each year; (b) The list of festivals, special events, or tourism facilities sponsored or owned by the local jurisdiction that received funds under this chapter; (c) The amount of revenue expended on each festival, special event, or tourism-related facility owned or sponsored by a nonprofit 501(c)(3) or 501(c)(6) organization or local government; (d) The estimated number of tourists, persons traveling over fifty miles to the destination, persons remaining at the destination overnight, and lodging stays generated per festival, special event, or tourism-related facility owned or sponsored by a nonprofit 501(c)(3) or 501(c)(6) organization or local government; and (e) Any other measurements the local government finds that demonstrate the impact of the increased tourism attributable to the festival, special event, or tourism-related facility owned or sponsored by a nonprofit 501(c)(3) or 501(c)(6) organization or local jurisdiction.

(3) The joint legislative audit and review committee must report to the legislature and the governor on the use and economic impact of lodging tax revenues by local jurisdictions since January 1, 2008, to support festivals, special events, and tourism-related facilities owned or sponsored by a nonprofit organization under section 501(c)(3) or 501(c)(6) of the internal revenue code of 1986, as amended, or a local jurisdiction, and the economic impact generated by these festivals, events, and facilities. This report shall be due September 1, 2012.

(4) Reporting under this section must begin with calendar year 2008.

(5) This section expires June 30, 2013.

[2008 c. 28 § 1; 2007 c 497 § 2]

Notes:

“Revisor’s note: The “department of community, trade, and economic development” was renamed the “department of commerce” by 2009 c 555.”
Definition - Tourism

RCW 67.28.080(5)

"Tourism" means economic activity resulting from tourists, which may include sales of overnight lodging, meals, tours, gifts, or souvenirs.
Definition - Tourism Promotion

RCW 67.28.080(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.
Definition - Tourism Related Facility

RCW 67.28.080(7) "Tourism-related facility" means real or tangible personal property with a usable life of three years, or constructed with volunteer labor that is: owned by a public entity; owned by a 501c3 nonprofit organization; or owned by a 501c6 nonprofit organization, a business organization, destination marketing organization, main street organization, lodging association, or chamber of commerce and used to support tourism, performing arts, or to accommodate tourist activity.
Tourist

RCW 67.28.080(8)

"Tourist" means a person who travels from a place of residence to a different town, city, county, state, or country, for purposes of business, pleasure, recreation, education, arts, heritage, or culture.
Sec. 1. RCW 67.28.1816 and 2008 c 28 s 1 are each amended to read as follows:

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

a) Tourism marketing;
b) The **marketing and operations** of special **events** and **festivals designed to attract tourists**;
c) 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
d) 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.
Lodging Tax Funding Process

3 changes:

• **Estimates** of expected increases in people traveling at time of application.

• **Post activity report** of actual increases in people traveling to the municipality, and municipality to the State’s Joint Legislative Audit and Review Committee (JLARC).

• **Recommendation** and decisionmaking **process**.
Application Process

Applicants MUST provide:

ESTIMATES of how moneys received will result in the number of people traveling for business or pleasure on a trip:

“... Staying overnight in paid accommodations; to a place 50 miles or more away 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 of business.”
State law (RCW 67.28) requires you to provide estimates of potential economic impact. In addition, the City requires you to provide a brief description of how you calculated the estimates. The estimates are specifically for the event, activity, or facility for which you are requesting funding.

1. An estimate of the number of people who will stay overnight in paid accommodations (hotel/motel/bed and breakfast/camping ground) in the City of Olympia ________; outside the City of Olympia ________.

2. An estimate of the number of people who will travel 50 miles or more for the day (not staying overnight) _________.

3. An estimate of the number of people who will travel 50 miles or more and stay overnight (whether in paid accommodations or not). ________

4. An estimate of the number of people who will travel from another state or country. ________
Identify the specific tourism audience/market located more than 50 miles from Pacific County that your organization will target with these funds.

Describe how you intend to measure and report your organization's impact on tourism in Pacific County, e.g. the number of tourists visiting, and/or staying overnight in Pacific County. Include any data or estimates you have regarding the impact your organization has had on tourism.
WENATCHEE OUTCOMES
1. **Increase hotel occupancy** in Wenatchee by extending length and frequency of overnight stays;

2. **Increases overnight stay** during the off season (October-May);

3. **Provides visitor attractions and/or promotes the area’s existing attractions**;

4. **Attracts more businesses to Wenatchee and thereby generates additional business for hotels and motels**;

5. **Improves the City’s overall image to stimulate positive customer/community awareness**.
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Point Possible</th>
<th>Application Questions</th>
<th>Points Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder Support/Partner</td>
<td>5</td>
<td>Question #5</td>
<td></td>
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<tr>
<td></td>
<td>Yes = 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No = 0</td>
<td></td>
<td></td>
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<tr>
<td>Potential ROI</td>
<td></td>
<td>Question #9</td>
<td></td>
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<tr>
<td></td>
<td>Above 3 to 1 = 20</td>
<td></td>
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<tr>
<td></td>
<td>3 to 1 = 10</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Below 3 to 1 = 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotes City Tourism</td>
<td>Yes = 25</td>
<td>Questions #2, 3 &amp; 7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No = 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attributable Lodging Stays</td>
<td>1-30 = 5</td>
<td>Questions #9.c.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31-100 = 10</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>101-250 = 15</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>More than 250 nights = 20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facilitate Expansion of Overnight Tourism</td>
<td>0 – 20 points</td>
<td>Questions 1 &amp; 2</td>
<td></td>
</tr>
<tr>
<td>Sustainable future Funding Identified</td>
<td>10</td>
<td>Applied for funding in previous years?</td>
<td>Questions 5 &amp; 6</td>
</tr>
<tr>
<td></td>
<td>Yes = 10</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No = 0</td>
<td></td>
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</tbody>
</table>

**Total points possible** /100
Report of Economic Impact

All recipients will be required to submit a report.

Details later in this presentation.
Lodging Tax Advisory Committee

[Municipality of 5,000 or more]

RCW 67.28.1817

Lodging tax advisory committee in large municipalities

At least 5 members:

• Chair: Elected official from the jurisdiction
• 2 members from lodging businesses
• 2 members involved in activities that could be funded
The City of Ocean Shores, Washington

GOVERNMENT SERVICES
- FilePro Direct
- Online References
- City Council Recordings
- Elected Officials
- Administration / Departments
- Municipal Code / Ordinances
- Permits, Fees, Applications
- City Calendar
- Grays Harbor County
- Quick Documents
- Sitemap

CITY COUNCIL RECORDINGS
- New Partnership offers video and audio recordings of the City Council meetings

lodging tax advisory committee

This committee provides the process for the allocation of the Lodging Tax funds and works with the City on its budget.

COUNCIL LIASON:
John Schroeder
360.289.0102

THE LODGING TAX ADVISORY COMMITTEE

The LIAC will be composed of five (5) members appointed by the City Council. One member of the City Council who shall serve as chairperson of the LIAC, two members who are representatives of businesses required to collect the Lodging Tax, and two members who are representatives of organizations conducting activities which may be funded from the Lodging Tax. No one individual may hold more than one membership position on the LIAC. Membership shall be reviewed annually by City Council. The purpose of the LIAC is to provide an open, public process for the allocation of the Lodging Tax and presentation of a budget request to the City Council as set forth in the Charter granted June 22, 1995. Meets as necessary.

Vacancies and How to Apply
For vacancies call the City Clerk's office at 360.289.0103 or 360.245-0100

Vacancies may be posted on the City’s website or in local newspapers.

To apply complete the application form for City Boards and Commissions, available online or at City Hall.
Please send the signed application to the City Clerk's Office.
City of Ocean Shores
P O Box 929
Ocean Shores, WA 98569

Click here for Application to join the committee
Hotel/Motel Tax Advisory Committee

A municipality with a population of five thousand or more must establish a lodging tax advisory committee. A lodging tax advisory committee must consist of at least five members appointed by the City Council. The committee membership must include at least two members who are representatives of businesses required to collect the tax and at least two members who are persons involved in activities authorized to be funded by the revenue received. In addition, one member must be a City Council Member who shall serve as chair of the committee.

<table>
<thead>
<tr>
<th>Meeting Date, Time &amp; Location</th>
<th>As needed</th>
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</thead>
<tbody>
<tr>
<td>Morgan Everett, Chair Person</td>
<td>Fred Lamb</td>
</tr>
<tr>
<td>Tom Denlee</td>
<td>Marilyn Dalstra</td>
</tr>
<tr>
<td>Becky Yeaman</td>
<td>Deborah Augustavo</td>
</tr>
<tr>
<td>Mike Voegele</td>
<td>Elia Beimares, Assistant Finance Manager</td>
</tr>
</tbody>
</table>

The funds from the City of Prosser Hotel/Motel Tax goes to support various functions. One of these functions is advertising. There are many ways is used for advertising, one way is by creating the video that is posted below.

[YouTube Video](#) To view the Prosser Chamber of Commerce video "The Good Life" please follow this link.
Tourism Development Committee

The Tourism Development Committee advises the Council on allocating the lodging excise tax fund for tourism promotion and is comprised of seven voting members. State statute establishes the specific makeup of the committee which consists of one member of the Kirkland City Council (who serves as chair), three representatives from organizations representing businesses required to collect the lodging tax, and three representatives of organizations involved in activities authorized to be funded by lodging tax revenue or local agencies involved in tourism promotion. Appointments are made by the City Council and membership terms are reviewed annually.

Beginning in 2002, a one percent excise tax collected on charges for lodging and motel room fees has been deposited in a lodging tax fund and used primarily for the purposes of funding tourism promotion to increase hotel occupancy, provide visitor attractions, and improve the City’s overall image.

For further information about the Tourism Development Committee, please contact Economic Development Manager Ellen Miller-Wolfe, City Manager’s Office, (425) 587-3014.

Tourism Development Committee Appointees

<table>
<thead>
<tr>
<th>Appointee</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penny Sweet, Chair City Council</td>
<td>3.31.13</td>
</tr>
</tbody>
</table>
Recommendations

The **Lodging Tax Committee** MUST:

- Select from the applicants.
- Prepare a list of recommended applicants and funding amounts.

The **Municipality** may:

- Choose only recipients and recommended amounts for those recipients from the list

**Unanswered:**

- How to handle proposals from the municipality ("applicants" is not defined).
Who must report?

- All cities and counties expending lodging tax revenues.
How to report?

- Collecting and recording information on the use of funds under revised statute to begin on July 1, 2013.
- Reporting date will be March 1, 2014, or shortly thereafter, and repeated on a calendar year basis.
- Electronic reporting from municipalities to JLARC.
- Either excel or web-based.
- Version 1 to be available by July 1.
- Would like to work with some volunteer municipalities over the summer to test the reporting form.
- Final version of form will be available on or before December 3, 2013.
What to report?

• For uses approved before July 1, 2013 but spent on or after that date, only need to report expenditures and attendance, not application information.

• For uses approved beginning July 1, 2013 and spent after that date, report application information and expenditures.

JLARC will present initial report to Legislature in 2015.
The amendments to RCW 67.28.1816 and RCW 67.28.080 by ESHB 1253 may have modest impacts on the audits of cities and counties. The amendments to RCW 67.28 are effective July 1, 2013 and would impact audits conducted in 2014 for city/county fiscal year 2013 audits.

The State Auditor’s Office regularly evaluates the use of restricted funds expended by entities, which may include Hotel/Motel (lodging) tax revenues. The evaluation would –

- Determine whether the entity is required to have a lodging tax advisory committee (LTAC) and if the committee is in place and the membership is consistent with RCW 67.28.1817;
- Review the projects approved by the LTAC funding and the actual expenditures to determine if they are in compliance with the committee’s recommendation and with RCW 67.28.1815 and RCW 67.28.1816;
- Verify lodging tax revenues and expenditures are accounted for in a separate fund; and
- For expenditures occurring after July 1, 2013, review expenditures to determine if capital expenditures are for tourism-related facilities owned by nonprofit organizations.
Questions?