

Background on State Convention Center Taxes

State Tax

The state imposes a tax on hotels and motels within King County that have at least 60 units. The tax rate is 7 percent within Seattle and 2.8 percent in the remainder of King County.

The tax started in 1982 with a 3 percent rate in Seattle and a 2 percent rate in the remainder of King County. The 3 percent rate was scheduled in the 1982 legislation to increase to 5 percent in Seattle starting in 1983 (SHB 1015, chapter 14, Laws of 1982).

In 1988 the rate was increased to 6 percent in Seattle and 2.4 percent in the rest of King County (EHB 2057, chapter 1, Laws of 1988, 1st sp. Sess.). The revenue from the rate increase from 5 percent to 6 percent and 2 percent to 2.4 percent was dedicated to marketing the facilities and services of the state convention center. The 1988 legislation also included a scheduled increase in rates to from 6 percent to 7 percent and 2.4 percent to 2.8 percent on January 1, 1993. The legislation provided for a reduction in the tax rates back to 6 percent and 2.4 percent if sufficient revenue (calculated at the 5 percent rate) was collected to pay debt service. This reversion to the 6 percent and 2.4 percent rates is referred to as the "change date."

City of Seattle Tax

In 1995, ESSB 5943 (chapter 386, Laws of 1995) authorized the City of Seattle to impose a 2 percent hotel/motel tax on premises with 60 or more lodging units starting January 1, 2000. The tax is credited against the state sales tax. The moneys collected from the tax are deposited into the state convention and trade center account and used to pay costs related to the State Convention and Trade Center expansion project

The 1995 legislation also suspended the reduction in the tax rates triggered by the "change date." The tax rates remain at 7 percent and 2.8 percent until the state debt issued for the convention center and other convention center borrowings from the state general fund are repaid.

Uses of the Revenue

All of the City of Seattle 2 percent tax and 83.33 percent of the state convention center tax are deposited into the state convention and trade center account. The remaining 16.67 percent of the state convention center tax goes to the state convention and trade center operations account. Nearly all the money deposited into the operations account is allocated for marketing the facilities and services of the state convention center.

Money in the state convention and trade center account is used for costs and debt associated with the acquisition of the state convention center including the expansion of the convention center.

Funds from the state convention and trade center account may also be transferred to the tourism enterprise account (maximum of \$4 million per year) and the tourism development and promotion account (maximum of \$500,000 per year).

The state convention and trade center account must maintain a minimum balance to fund capital maintenance, facility enhancements, unanticipated replacements, and operating reserves for operations (SHB 1276, chapter 228, Laws of 2007). The amount set aside for this purpose is not less than \$6.15 million. The amount is increased each year by 4 percent to reflect annual inflation for capital maintenance, repairs, and replacement, by an additional 2 percent for enhancements to the facilities, and an additional 3 percent for growth due to the aging of the facility and the need to maintain an operating reserve.

Revenue Amounts

In FY 2008, revenue to the state convention and trade center account was \$42 million from the 83.33 percent distribution state convention center tax and \$11 million from the 2 percent City of Seattle tax. Revenue to the state convention and trade center operations account from the 16.67 percent of the state convention center tax was \$8 million.