

State Tax Sharing

Title State Lodging Tax Sharing

RCW 67.28.180 - .1801

Year Enacted 1967

Description Certain local governments are authorized to impose a local sales tax credited against the state sales tax on charges for lodging to fund local tourism related promotion, facilities, and events. Through the credit, the local government receives a portion of the state sales tax rather than consumers paying an additional local sales tax.

Purpose To promote tourism related spending by in-state and out-of-state residents within the state and to promote heritage, arts, and civic programs.

Use of Funds For most local governments, funds must be used solely for local tourism promotion; marketing and operations of special events and festivals attracting tourists; construction and operation of tourism related facilities owned by a county, city, or public facilities district; or operations of tourism related facilities owned by a non-profit organization.

Local governments, such as King County, Bellevue, Yakima County and Yakima City, that issued bonds for stadium facilities; convention centers; performing/visual art centers; and agricultural promotion facilities; must use the funds for debt service payments.

King County must use its funds to retire debt on the Kingdome and the public stadium and exhibition center. When all debt is retired, set percentages of funds must be used for art, cultural, and heritage museums, arts and performing arts; affordable workforce housing and homeless youth services; and tourism promotion.

**Recipients/
Eligibility** All counties, cities and towns have imposed the tax. With the exception of Bellevue, cities within King County are prohibited from imposing this local sales tax on lodging.

**Distribution
Methodology** All counties, cities and towns have imposed the tax at the maximum rate of 2 percent. The local sales tax is imposed on all sales of lodging within the local government boundaries. The term “lodging” has been revised over the years; however, it is intended to cover transient lodging such as hotels, motels, RV and trailer parks, and other facilities for short-term occupancy of 30 days or less. With the exception of King and Yakima counties for the cities of Bellevue and Yakima; any city imposed tax

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must be credited against any county imposed tax to prevent both a county and a city receiving state sales tax revenue through the credit on the same sale of lodging.

Recent Distributions Total

Fiscal Year	Distributions	% Change
2024	\$90,628,992	4.15%
2023	\$87,020,395	29.32%
2022	\$67,292,963	106.01%
2021	\$32,665,516	-17.50%
2020	\$39,593,400	3.14%
2019	\$38,388,898	6.90%
2018	\$35,909,483	7.10%
2017	\$33,530,085	-33.95%
2016	\$50,767,367	-2.44%
2015	\$52,037,374	13.08%
2014	\$46,019,061	4.75%
2013	\$43,932,437	3.12%
2012	\$42,602,378	7.06%
2011	\$39,792,395	6.99%
2010	\$37,193,487	-8.98%
2009	\$40,860,798	

Method of Receipt

Distributed by the Office of State Treasurer monthly.

Administration

Department of Revenue

History

Sharing of the state's sales tax on charges for lodging was first authorized in 1967. Limited to King County, it was authorized to impose up to 2 percent local sales tax on charges for transient lodging credited against the state sales tax to fund the acquisition, construction and operation of public stadium facilities, including the payment of debt service on any bonds issued. (Chapter 236, Laws of 1967) Eventually, these funds were used to finance the public stadium known as the Kingdome in Seattle.

In 1970, "first class" cities with a population of 150,000 or more that were not located in a "class AA" county were given the same authority as King County. This effectively authorized the cities of Spokane and Tacoma to impose this local sales tax. (Chapter 89, Laws of 1970 1st ex. sess.).

In 1973, the authority to impose this local sales tax was provided to all counties, cities and towns, and also extended the use of such revenue to the acquisition,

construction and operation of convention centers. (Chapter 34, Laws of 1973 2nd ex. sess.)

In 1975, the Legislature added the requirement that any city imposed tax be credited against any county imposed tax. The legislation intended to prevent both a county and a city receiving state sales tax revenue through the credit (i.e. “double dipping”) on the same sale of lodging. Exceptions were made for King County, Bellevue, Yakima County and the city of Yakima who pledged their tax revenue for payment of bond debt issued for public stadium and convention facilities prior to 1975. King County’s tax is applied county-wide and no city other than Bellevue may impose this tax. Additionally, Yakima County is not required to provide a credit for the tax imposed by the city of Yakima, but must provide a credit for other cities imposing the tax within the county. (Chapter 225, Laws 1975 1st ex. sess.)

In 1979, the use of the funds was expanded to allow for the acquisition, construction and operation of performing arts center and visual art center facilities. Additionally, the advertising, publicizing, and distributing information for attracting visitors and encouraging tourism was made an allowable use of the funds. (Chapter 222, Laws of 1979)

Between 1979 and 1997, the use of the funds was expanded to include tourism strategy plans; steam railway and Tall Ships attractions; beach boardwalks, viewing docks, public docks; public restrooms; and civic community-wide festivals. Some of these uses were limited to certain counties, cities or both. In 1997, the legislature repealed these various special uses and adopted the current uniform standard for use of funds contained in RCW 67.28.1816. The legislation also required the creation of a local lodging tax advisory committee to make recommendations to the local government on the recipients of funds. (Chapter 452, Laws of 1997)

Beginning in 1985, restrictions on the use of funds by King County diverged. First, double dipping could continue to repay bonds issued for new public stadium improvements. In 1986, legislation required funds in excess of bond payments (\$5.3 million annually) to be used for art and cultural museums, arts and performing arts. In 1991, excess funds were directed for certain purposes by fixed percentages for tourism promotion, youth sports and open lands, and arts and cultural programs including the creation of an arts endowment fund. In 1997, the use of the funds was extend for the financing of a new public (football) stadium and exhibition center. Repayment of debt for past public stadiums (Kingdome) and the stadium and exhibition center became the only allowable use of funds from calendar year 2013 through 2020. (Chapter 272, Laws of 1985; Chapter 104, Laws of 1986; Chapter 483, Laws of 1987; Chapter 336, Laws of 1991; Chapter 220, Laws of 1997)

In 2011, cities in King County were permanently prohibited from imposing this local sales tax and the current limitations on use of funds was established. Beginning January 1, 2021 after debt service payments cease, 37.5 percent must be used for art, cultural, and heritage museums, arts and performing arts; 37.5 percent for affordable workforce housing and homeless youth services; and 25 percent for tourism promotion. (Chapter 38, Laws of 2011 1st spec. sess.)

Legislation in 1985 and 2007 also allowed Yakima County and Yakima City to continue its double dipping of the state sales tax credit through calendar year 2020 for agricultural promotion or other tourism related facilities. (Chapter 272, Laws of 1985; Chapter 189, Laws 2007)

In 2007, the use of funds was clarified to include the cost for the operation of special events and festivals designed to attract tourists and to fund tourism-related facilities owned by a public entity or certain non-profit organizations. These changes were set to expire, but were made permanent in 2013. (Chapter 497, Laws of 2007 and Chapter 196, Laws of 2013) The Legislature has authorized additional local sales taxes on lodging that are not credited against the state sales tax. These additional local lodging taxes are imposed on and paid by consumers.

In 2015, the 37.5 percent distribution for affordable workforce housing and homeless youth services in King County was clarified to allow the distribution of funds to be used for the repayment of bonds issued for affordable workforce housing and homeless youth services. (Chapter 102, Laws of 2015)

In 2021, housing or facilities for homeless youth was added to the allowable use of at least 37.5 percent of the funds raised from the state-shared lodging tax by a county with a population of at least 1.5 million. The income threshold for "affordable workforce housing" was also changed from "between 30 to 80 percent" to "at or below 80 percent" of the county median income, adjusted for household size. (Chapter 27, Laws of 2021)