

CERTIFICATION OF ENROLLMENT
SECOND SUBSTITUTE HOUSE BILL 1531

Chapter 178, Laws of 2002

(partial veto)

57th Legislature
2002 Regular Session

TAXATION--LODGING

EFFECTIVE DATE: 3/27/02

Passed by the House March 14, 2002
Yeas 96 Nays 2

FRANK CHOPP
Speaker of the House of Representatives

Passed by the Senate March 13, 2002
Yeas 41 Nays 7

BRAD OWEN
President of the Senate

Approved March 27, 2002, with the
exception of section 3, which is
vetoed.

GARY LOCKE
Governor of the State of Washington

CERTIFICATE

I, Cynthia Zehnder, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SECOND SUBSTITUTE HOUSE BILL 1531** as passed by the House of Representatives and the Senate on the dates hereon set forth.

CYNTHIA ZEHNDER

Chief Clerk

FILED

March 27, 2002 - 8:58 a.m.

**Secretary of State
State of Washington**

SECOND SUBSTITUTE HOUSE BILL 1531

AS AMENDED BY THE SENATE

Passed Legislature - 2002 Regular Session

State of Washington

57th Legislature

2002 Regular Session

By House Committee on Finance (originally sponsored by Representatives Morris and Cairnes)

Read first time 02/11/2002. Referred to Committee on .

1 AN ACT Relating to the taxation of lodging; amending RCW 82.04.050,
2 67.28.180, 67.28.181, 67.40.090, and 36.100.040; creating a new
3 section; and declaring an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 82.04.050 and 2000 2nd sp.s. c 4 s 23 are each amended
6 to read as follows:

7 (1) "Sale at retail" or "retail sale" means every sale of tangible
8 personal property (including articles produced, fabricated, or
9 imprinted) to all persons irrespective of the nature of their business
10 and including, among others, without limiting the scope hereof, persons
11 who install, repair, clean, alter, improve, construct, or decorate real
12 or personal property of or for consumers other than a sale to a person
13 who presents a resale certificate under RCW 82.04.470 and who:

14 (a) Purchases for the purpose of resale as tangible personal
15 property in the regular course of business without intervening use by
16 such person, but a purchase for the purpose of resale by a regional
17 transit authority under RCW 81.112.300 is not a sale for resale; or

18 (b) Installs, repairs, cleans, alters, imprints, improves,
19 constructs, or decorates real or personal property of or for consumers,

1 if such tangible personal property becomes an ingredient or component
2 of such real or personal property without intervening use by such
3 person; or

4 (c) Purchases for the purpose of consuming the property purchased
5 in producing for sale a new article of tangible personal property or
6 substance, of which such property becomes an ingredient or component or
7 is a chemical used in processing, when the primary purpose of such
8 chemical is to create a chemical reaction directly through contact with
9 an ingredient of a new article being produced for sale; or

10 (d) Purchases for the purpose of consuming the property purchased
11 in producing ferrosilicon which is subsequently used in producing
12 magnesium for sale, if the primary purpose of such property is to
13 create a chemical reaction directly through contact with an ingredient
14 of ferrosilicon; or

15 (e) Purchases for the purpose of providing the property to
16 consumers as part of competitive telephone service, as defined in RCW
17 82.04.065. The term shall include every sale of tangible personal
18 property which is used or consumed or to be used or consumed in the
19 performance of any activity classified as a "sale at retail" or "retail
20 sale" even though such property is resold or utilized as provided in
21 (a), (b), (c), (d), or (e) of this subsection following such use. The
22 term also means every sale of tangible personal property to persons
23 engaged in any business which is taxable under RCW 82.04.280 (2) and
24 (7) and 82.04.290.

25 (2) The term "sale at retail" or "retail sale" shall include the
26 sale of or charge made for tangible personal property consumed and/or
27 for labor and services rendered in respect to the following:

28 (a) The installing, repairing, cleaning, altering, imprinting, or
29 improving of tangible personal property of or for consumers, including
30 charges made for the mere use of facilities in respect thereto, but
31 excluding charges made for the use of coin-operated laundry facilities
32 when such facilities are situated in an apartment house, rooming house,
33 or mobile home park for the exclusive use of the tenants thereof, and
34 also excluding sales of laundry service to nonprofit health care
35 facilities, and excluding services rendered in respect to live animals,
36 birds and insects;

37 (b) The constructing, repairing, decorating, or improving of new or
38 existing buildings or other structures under, upon, or above real
39 property of or for consumers, including the installing or attaching of

1 any article of tangible personal property therein or thereto, whether
2 or not such personal property becomes a part of the realty by virtue of
3 installation, and shall also include the sale of services or charges
4 made for the clearing of land and the moving of earth excepting the
5 mere leveling of land used in commercial farming or agriculture;

6 (c) The charge for labor and services rendered in respect to
7 constructing, repairing, or improving any structure upon, above, or
8 under any real property owned by an owner who conveys the property by
9 title, possession, or any other means to the person performing such
10 construction, repair, or improvement for the purpose of performing such
11 construction, repair, or improvement and the property is then
12 reconveyed by title, possession, or any other means to the original
13 owner;

14 (d) The sale of or charge made for labor and services rendered in
15 respect to the cleaning, fumigating, razing or moving of existing
16 buildings or structures, but shall not include the charge made for
17 janitorial services; and for purposes of this section the term
18 "janitorial services" shall mean those cleaning and caretaking services
19 ordinarily performed by commercial janitor service businesses
20 including, but not limited to, wall and window washing, floor cleaning
21 and waxing, and the cleaning in place of rugs, drapes and upholstery.
22 The term "janitorial services" does not include painting, papering,
23 repairing, furnace or septic tank cleaning, snow removal or
24 sandblasting;

25 (e) The sale of or charge made for labor and services rendered in
26 respect to automobile towing and similar automotive transportation
27 services, but not in respect to those required to report and pay taxes
28 under chapter 82.16 RCW;

29 (f) The sale of and charge made for the furnishing of lodging and
30 all other services by a hotel, rooming house, tourist court, motel,
31 trailer camp, and the granting of any similar license to use real
32 property, as distinguished from the renting or leasing of real
33 property, and it shall be presumed that the occupancy of real property
34 for a continuous period of one month or more constitutes a rental or
35 lease of real property and not a mere license to use or enjoy the same.
36 For the purposes of this subsection, it shall be presumed that the sale
37 of and charge made for the furnishing of lodging for a continuous
38 period of one month or more to a person is a rental or lease of real
39 property and not a mere license to enjoy the same;

1 (g) The sale of or charge made for tangible personal property,
2 labor and services to persons taxable under (a), (b), (c), (d), (e),
3 and (f) of this subsection when such sales or charges are for property,
4 labor and services which are used or consumed in whole or in part by
5 such persons in the performance of any activity defined as a "sale at
6 retail" or "retail sale" even though such property, labor and services
7 may be resold after such use or consumption. Nothing contained in this
8 subsection shall be construed to modify subsection (1) of this section
9 and nothing contained in subsection (1) of this section shall be
10 construed to modify this subsection.

11 (3) The term "sale at retail" or "retail sale" shall include the
12 sale of or charge made for personal, business, or professional services
13 including amounts designated as interest, rents, fees, admission, and
14 other service emoluments however designated, received by persons
15 engaging in the following business activities:

16 (a) Amusement and recreation services including but not limited to
17 golf, pool, billiards, skating, bowling, ski lifts and tows, day trips
18 for sightseeing purposes, and others, when provided to consumers;

19 (b) Abstract, title insurance, and escrow services;

20 (c) Credit bureau services;

21 (d) Automobile parking and storage garage services;

22 (e) Landscape maintenance and horticultural services but excluding
23 (i) horticultural services provided to farmers and (ii) pruning,
24 trimming, repairing, removing, and clearing of trees and brush near
25 electric transmission or distribution lines or equipment, if performed
26 by or at the direction of an electric utility;

27 (f) Service charges associated with tickets to professional
28 sporting events; and

29 (g) The following personal services: Physical fitness services,
30 tanning salon services, tattoo parlor services, steam bath services,
31 turkish bath services, escort services, and dating services.

32 (4) The term shall also include the renting or leasing of tangible
33 personal property to consumers and the rental of equipment with an
34 operator.

35 (5) The term shall also include the providing of telephone service,
36 as defined in RCW 82.04.065, to consumers.

37 (6) The term shall also include the sale of canned software other
38 than a sale to a person who presents a resale certificate under RCW
39 82.04.470, regardless of the method of delivery to the end user, but

1 shall not include custom software or the customization of canned
2 software.

3 (7) The term shall not include the sale of or charge made for labor
4 and services rendered in respect to the building, repairing, or
5 improving of any street, place, road, highway, easement, right of way,
6 mass public transportation terminal or parking facility, bridge,
7 tunnel, or trestle which is owned by a municipal corporation or
8 political subdivision of the state or by the United States and which is
9 used or to be used primarily for foot or vehicular traffic including
10 mass transportation vehicles of any kind.

11 (8) The term shall also not include sales of chemical sprays or
12 washes to persons for the purpose of postharvest treatment of fruit for
13 the prevention of scald, fungus, mold, or decay, nor shall it include
14 sales of feed, seed, seedlings, fertilizer, agents for enhanced
15 pollination including insects such as bees, and spray materials to:
16 (a) Persons who participate in the federal conservation reserve
17 program, the environmental quality incentives program, the wetlands
18 reserve program, and the wildlife habitat incentives program, or their
19 successors administered by the United States department of agriculture;
20 (b) farmers for the purpose of producing for sale any agricultural
21 product; and (c) farmers acting under cooperative habitat development
22 or access contracts with an organization exempt from federal income tax
23 under 26 U.S.C. Sec. 501(c)(3) or the Washington state department of
24 fish and wildlife to produce or improve wildlife habitat on land that
25 the farmer owns or leases.

26 (9) The term shall not include the sale of or charge made for labor
27 and services rendered in respect to the constructing, repairing,
28 decorating, or improving of new or existing buildings or other
29 structures under, upon, or above real property of or for the United
30 States, any instrumentality thereof, or a county or city housing
31 authority created pursuant to chapter 35.82 RCW, including the
32 installing, or attaching of any article of tangible personal property
33 therein or thereto, whether or not such personal property becomes a
34 part of the realty by virtue of installation. Nor shall the term
35 include the sale of services or charges made for the clearing of land
36 and the moving of earth of or for the United States, any
37 instrumentality thereof, or a county or city housing authority. Nor
38 shall the term include the sale of services or charges made for
39 cleaning up for the United States, or its instrumentalities,

1 radioactive waste and other byproducts of weapons production and
2 nuclear research and development.

3 (10) Until July 1, 2003, the term shall not include the sale of or
4 charge made for labor and services rendered for environmental remedial
5 action as defined in RCW 82.04.2635(2).

6 **Sec. 2.** RCW 67.28.180 and 1997 c 220 s 501 are each amended to
7 read as follows:

8 (1) Subject to the conditions set forth in subsections (2) and (3)
9 of this section, the legislative body of any county or any city, is
10 authorized to levy and collect a special excise tax of not to exceed
11 two percent on the sale of or charge made for the furnishing of lodging
12 (~~by a hotel, rooming house, tourist court, motel, trailer camp, and~~
13 ~~the granting of any similar license to use real property, as~~
14 ~~distinguished from the renting or leasing of real property: PROVIDED,~~
15 ~~That it shall be presumed that the occupancy of real property for a~~
16 ~~continuous period of one month or more constitutes a rental or lease of~~
17 ~~real property and not a mere license to use or to enjoy the same)) that
18 is subject to tax under chapter 82.08 RCW.~~

19 (2) Any levy authorized by this section shall be subject to the
20 following:

21 (a) Any county ordinance or resolution adopted pursuant to this
22 section shall contain, in addition to all other provisions required to
23 conform to this chapter, a provision allowing a credit against the
24 county tax for the full amount of any city tax imposed pursuant to this
25 section upon the same taxable event.

26 (b) In the event that any county has levied the tax authorized by
27 this section and has, prior to June 26, 1975, either pledged the tax
28 revenues for payment of principal and interest on city revenue or
29 general obligation bonds authorized and issued pursuant to RCW
30 67.28.150 through 67.28.160 or has authorized and issued revenue or
31 general obligation bonds pursuant to the provisions of RCW 67.28.150
32 through 67.28.160, such county shall be exempt from the provisions of
33 (a) of this subsection, to the extent that the tax revenues are pledged
34 for payment of principal and interest on bonds issued at any time
35 pursuant to the provisions of RCW 67.28.150 through 67.28.160:
36 PROVIDED, That so much of such pledged tax revenues, together with any
37 investment earnings thereon, not immediately necessary for actual
38 payment of principal and interest on such bonds may be used: (i) In

1 any county with a population of one million or more, for repayment
2 either of limited tax levy general obligation bonds or of any county
3 fund or account from which a loan was made, the proceeds from the bonds
4 or loan being used to pay for constructing, installing, improving, and
5 equipping stadium capital improvement projects, and to pay for any
6 engineering, planning, financial, legal and professional services
7 incident to the development of such stadium capital improvement
8 projects, regardless of the date the debt for such capital improvement
9 projects was or may be incurred; (ii) in any county with a population
10 of one million or more, for repayment or refinancing of bonded
11 indebtedness incurred prior to January 1, 1997, for any purpose
12 authorized by this section or relating to stadium repairs or
13 rehabilitation, including but not limited to the cost of settling legal
14 claims, reimbursing operating funds, interest payments on short-term
15 loans, and any other purpose for which such debt has been incurred if
16 the county has created a public stadium authority to develop a stadium
17 and exhibition center under RCW 36.102.030; or (iii) in other counties,
18 for county-owned facilities for agricultural promotion. A county is
19 exempt under this subsection in respect to city revenue or general
20 obligation bonds issued after April 1, 1991, only if such bonds mature
21 before January 1, 2013.

22 As used in this subsection (2)(b), "capital improvement projects"
23 may include, but not be limited to a stadium restaurant facility,
24 restroom facilities, artificial turf system, seating facilities,
25 parking facilities and scoreboard and information system adjacent to or
26 within a county owned stadium, together with equipment, utilities,
27 accessories and appurtenances necessary thereto. The stadium
28 restaurant authorized by this subsection (2)(b) shall be operated by a
29 private concessionaire under a contract with the county.

30 (c)(i) No city within a county exempt under subsection (2)(b) of
31 this section may levy the tax authorized by this section so long as
32 said county is so exempt.

33 (ii) If bonds have been issued under RCW 43.99N.020 and any
34 necessary property transfers have been made under RCW 36.102.100, no
35 city within a county with a population of one million or more may levy
36 the tax authorized by this section before January 1, 2021.

37 (iii) However, in the event that any city in a county described in
38 (i) or (ii) of this subsection (2)(c) has levied the tax authorized by
39 this section and has, prior to June 26, 1975, authorized and issued

1 revenue or general obligation bonds pursuant to the provisions of RCW
2 67.28.150 through 67.28.160, such city may levy the tax so long as the
3 tax revenues are pledged for payment of principal and interest on bonds
4 issued at any time pursuant to the provisions of RCW 67.28.150 through
5 67.28.160.

6 (3) Any levy authorized by this section by a county that has levied
7 the tax authorized by this section and has, prior to June 26, 1975,
8 either pledged the tax revenues for payment of principal and interest
9 on city revenue or general obligation bonds authorized and issued
10 pursuant to RCW 67.28.150 through 67.28.160 or has authorized and
11 issued revenue or general obligation bonds pursuant to the provisions
12 of RCW 67.28.150 through 67.28.160 shall be subject to the following:

13 (a) Taxes collected under this section in any calendar year before
14 2013 in excess of five million three hundred thousand dollars shall
15 only be used as follows:

16 (i) Seventy-five percent from January 1, 1992, through December 31,
17 2000, and seventy percent from January 1, 2001, through December 31,
18 2012, for art museums, cultural museums, heritage museums, the arts,
19 and the performing arts. Moneys spent under this subsection (3)(a)(i)
20 shall be used for the purposes of this subsection (3)(a)(i) in all
21 parts of the county.

22 (ii) Twenty-five percent from January 1, 1992, through December 31,
23 2000, and thirty percent from January 1, 2001, through December 31,
24 2012, for the following purposes and in a manner reflecting the
25 following order of priority: Stadium purposes as authorized under
26 subsection (2)(b) of this section; acquisition of open space lands;
27 youth sports activities; and tourism promotion. If all or part of the
28 debt on the stadium is refinanced, all revenues under this subsection
29 (3)(a)(ii) shall be used to retire the debt.

30 (b) From January 1, 2013, through December 31, 2015, in a county
31 with a population of one million or more, all revenues under this
32 section shall be used to retire the debt on the stadium, or deposited
33 in the stadium and exhibition center account under RCW 43.99N.060 after
34 the debt on the stadium is retired.

35 (c) From January 1, 2016, through December 31, 2020, in a county
36 with a population of one million or more, all revenues under this
37 section shall be deposited in the stadium and exhibition center account
38 under RCW 43.99N.060.

1 (d) At least seventy percent of moneys spent under (a)(i) of this
2 subsection for the period January 1, 1992, through December 31, 2000,
3 shall be used only for the purchase, design, construction, and
4 remodeling of performing arts, visual arts, heritage, and cultural
5 facilities, and for the purchase of fixed assets that will benefit art,
6 heritage, and cultural organizations. For purposes of this subsection,
7 fixed assets are tangible objects such as machinery and other equipment
8 intended to be held or used for ten years or more. Moneys received
9 under this subsection (3)(d) may be used for payment of principal and
10 interest on bonds issued for capital projects. Qualifying
11 organizations receiving moneys under this subsection (3)(d) must be
12 financially stable and have at least the following:

- 13 (i) A legally constituted and working board of directors;
- 14 (ii) A record of artistic, heritage, or cultural accomplishments;
- 15 (iii) Been in existence and operating for at least two years;
- 16 (iv) Demonstrated ability to maintain net current liabilities at
17 less than thirty percent of general operating expenses;
- 18 (v) Demonstrated ability to sustain operational capacity subsequent
19 to completion of projects or purchase of machinery and equipment; and
- 20 (vi) Evidence that there has been independent financial review of
21 the organization.

22 (e) At least forty percent of the revenues distributed pursuant to
23 (a)(i) of this subsection for the period January 1, 2001, through
24 December 31, 2012, shall be deposited in an account and shall be used
25 to establish an endowment. Principal in the account shall remain
26 permanent and irreducible. The earnings from investments of balances
27 in the account may only be used for the purposes of (a)(i) of this
28 subsection.

29 (f) School districts and schools shall not receive revenues
30 distributed pursuant to (a)(i) of this subsection.

31 (g) Moneys distributed to art museums, cultural museums, heritage
32 museums, the arts, and the performing arts, and moneys distributed for
33 tourism promotion shall be in addition to and may not be used to
34 replace or supplant any other funding by the legislative body of the
35 county.

36 (h) As used in this section, "tourism promotion" includes
37 activities intended to attract visitors for overnight stays, arts,
38 heritage, and cultural events, and recreational, professional, and
39 amateur sports events. Moneys allocated to tourism promotion in a

1 class AA county shall be allocated to nonprofit organizations formed
2 for the express purpose of tourism promotion in the county. Such
3 organizations shall use moneys from the taxes to promote events in all
4 parts of the class AA county.

5 (i) No taxes collected under this section may be used for the
6 operation or maintenance of a public stadium that is financed directly
7 or indirectly by bonds to which the tax is pledged. Expenditures for
8 operation or maintenance include all expenditures other than
9 expenditures that directly result in new fixed assets or that directly
10 increase the capacity, life span, or operating economy of existing
11 fixed assets.

12 (j) No ad valorem property taxes may be used for debt service on
13 bonds issued for a public stadium that is financed by bonds to which
14 the tax is pledged, unless the taxes collected under this section are
15 or are projected to be insufficient to meet debt service requirements
16 on such bonds.

17 (k) If a substantial part of the operation and management of a
18 public stadium that is financed directly or indirectly by bonds to
19 which the tax is pledged is performed by a nonpublic entity or if a
20 public stadium is sold that is financed directly or indirectly by bonds
21 to which the tax is pledged, any bonds to which the tax is pledged
22 shall be retired. This subsection (3)(k) does not apply in respect to
23 a public stadium under chapter 36.102 RCW transferred to, owned by, or
24 constructed by a public facilities district under chapter 36.100 RCW or
25 a stadium and exhibition center.

26 (l) The county shall not lease a public stadium that is financed
27 directly or indirectly by bonds to which the tax is pledged to, or
28 authorize the use of the public stadium by, a professional major league
29 sports franchise unless the sports franchise gives the right of first
30 refusal to purchase the sports franchise, upon its sale, to local
31 government. This subsection (3)(l) does not apply to contracts in
32 existence on April 1, 1986.

33 If a court of competent jurisdiction declares any provision of this
34 subsection (3) invalid, then that invalid provision shall be null and
35 void and the remainder of this section is not affected.

36 ****Sec. 3. RCW 67.28.181 and 1998 c 35 s 1 are each amended to read***
37 ***as follows:***

1 (1) The legislative body of any municipality may impose an excise
2 tax on the sale of or charge made for the furnishing of lodging that is
3 subject to tax under chapter 82.08 RCW. The rate of tax shall not
4 exceed the lesser of two percent or a rate that, when combined with all
5 other taxes imposed upon sales of lodging within the municipality under
6 this chapter and chapters 36.100, 67.40, 82.08, and 82.14 RCW, equals
7 twelve percent. A tax under this chapter shall not be imposed in
8 increments smaller than tenths of a percent.

9 (2) Notwithstanding subsection (1) of this section:

10 (a) If a municipality was authorized to impose taxes under this
11 chapter or RCW 67.40.100 or both with a total rate exceeding four
12 percent before July 27, 1997, such total authorization shall continue
13 through January 1, 1999, and thereafter the municipality may impose a
14 tax under this section at a rate not exceeding the rate actually
15 imposed by the municipality on January 1, 1999.

16 (b) If a city or town, other than a municipality imposing a tax
17 under (a) of this subsection, is located in a county that imposed taxes
18 under this chapter with a total rate of four percent or more on January
19 1, 1997, the city or town may not impose a tax under this section,
20 except that a municipality located in more than one county may impose
21 a tax under this section in each county at the maximum rate that would
22 have been allowed as of March 11, 1998.

23 (c) If a city has a population of four hundred thousand or more and
24 is located in a county with a population of one million or more, the
25 rate of tax imposed under this chapter by the city shall not exceed the
26 lesser of four percent or a rate that, when combined with all other
27 taxes imposed upon sales of lodging in the municipality under this
28 chapter and chapters 36.100, 67.40, 82.08, and 82.14 RCW, equals
29 fifteen and two-tenths percent.

30 (d) If a municipality was authorized to impose taxes under this
31 chapter or RCW 67.40.100, or both, at a rate equal to six percent
32 before January 1, 1998, the municipality may impose a tax under this
33 section at a rate not exceeding the rate actually imposed by the
34 municipality on January 1, 1998.

35 (3) Any county ordinance or resolution adopted under this section
36 shall contain a provision allowing a credit against the county tax for
37 the full amount of any city or town tax imposed under this section upon
38 the same taxable event.

39 *Sec. 3 was vetoed. See message at end of chapter.

1 **Sec. 4.** RCW 67.40.090 and 1995 c 386 s 15 are each amended to read
2 as follows:

3 (1) Commencing April 1, 1982, there is imposed, and the department
4 of revenue shall collect, in King county a special excise tax on the
5 sale of or charge made for the furnishing of lodging (~~((by a hotel,~~
6 ~~rooming house, tourist court, motel, or trailer camp, and the granting~~
7 ~~of any similar license to use real property, as distinguished from the~~
8 ~~renting or leasing of real property)) that is subject to tax under~~
9 chapter 82.08 RCW, except that no such tax may be levied on any
10 premises having fewer than sixty lodging units. (~~(It shall be presumed~~
11 ~~that the occupancy of real property for a continuous period of one~~
12 ~~month or more constitutes rental or lease of real property and not a~~
13 ~~mere license to use or enjoy the same.)) The legislature on behalf of
14 the state pledges to maintain and continue this tax until the bonds
15 authorized by this chapter are fully redeemed, both principal and
16 interest.~~

17 (2) The rate of the tax imposed under this section shall be as
18 provided in this subsection.

19 (a) From April 1, 1982, through December 31, 1982, inclusive, the
20 rate shall be three percent in the city of Seattle and two percent in
21 King county outside the city of Seattle.

22 (b) From January 1, 1983, through June 30, 1988, inclusive, the
23 rate shall be five percent in the city of Seattle and two percent in
24 King county outside the city of Seattle.

25 (c) From July 1, 1988, through December 31, 1992, inclusive, the
26 rate shall be six percent in the city of Seattle and two and four-
27 tenths percent in King county outside the city of Seattle.

28 (d) From January 1, 1993, and until bonds and all other borrowings
29 authorized under RCW 67.40.030 are retired, the rate shall be seven
30 percent in the city of Seattle and two and eight-tenths percent in King
31 county outside the city of Seattle.

32 (e) Except as otherwise provided in (d) of this subsection, on and
33 after the change date, the rate shall be six percent in the city of
34 Seattle and two and four-tenths percent in King county outside the city
35 of Seattle.

36 (f) As used in this section, "change date" means the October 1st
37 next occurring after certification occurs under (g) of this subsection.

38 (g) On August 1st of 1998 and of each year thereafter until
39 certification occurs under this subsection, the state treasurer shall

1 determine whether seventy-one and forty-three one-hundredths percent of
2 the revenues actually collected and deposited with the state treasurer
3 for the tax imposed under this section during the twelve months ending
4 June 30th of that year, excluding penalties and interest, exceeds the
5 amount actually paid in debt service during the same period for bonds
6 issued under RCW 67.40.030 by at least two million dollars. If so, the
7 state treasurer shall so certify to the department of revenue.

8 (3) The proceeds of the special excise tax shall be deposited as
9 provided in this subsection.

10 (a) Through June 30, 1988, inclusive, all proceeds shall be
11 deposited in the state convention and trade center account.

12 (b) From July 1, 1988, through December 31, 1992, inclusive,
13 eighty-three and thirty-three one-hundredths percent of the proceeds
14 shall be deposited in the state convention and trade center account.
15 The remainder shall be deposited in the state convention and trade
16 center operations account.

17 (c) From January 1, 1993, until the change date, eighty-five and
18 seventy-one-hundredths percent of the proceeds shall be deposited in
19 the state convention and trade center account. The remainder shall be
20 deposited in the state convention and trade center operations account.

21 (d) On and after the change date, eighty-three and thirty-three
22 one-hundredths percent of the proceeds shall be deposited in the state
23 convention and trade center account. The remainder shall be deposited
24 in the state convention and trade center operations account.

25 (4) Chapter 82.32 RCW applies to the tax imposed under this
26 section.

27 **Sec. 5.** RCW 36.100.040 and 1995 c 396 s 4 are each amended to read
28 as follows:

29 A public facilities district may impose an excise tax on the sale
30 of or charge made for the furnishing of lodging (~~by a hotel, rooming~~
31 ~~house, tourist court, motel, or trailer camp, and the granting of any~~
32 ~~similar license to use real property, as distinguished from the renting~~
33 ~~or leasing of real property)) that is subject to tax under chapter
34 82.08 RCW, except that no such tax may be levied on any premises having
35 fewer than forty lodging units. However, if a public facilities
36 district has not imposed such an excise tax prior to December 31, 1995,
37 the public facilities district may only impose the excise tax if a
38 ballot proposition authorizing the imposition of the tax has been~~

1 approved by a simple majority vote of voters of the public facilities
2 district voting on the proposition.

3 The rate of the tax shall not exceed two percent and the proceeds
4 of the tax shall only be used for the acquisition, design,
5 construction, remodeling, maintenance, equipping, reequipping,
6 repairing, and operation of its public facilities. This excise tax
7 shall not be imposed until the district has approved the proposal to
8 acquire, design, and construct the public facilities.

9 A public facilities district may not impose the tax authorized in
10 this section if, after the tax authorized in this section was imposed,
11 the effective combined rate of state and local excise taxes, including
12 sales and use taxes and excise taxes on lodging, imposed on the sale of
13 or charge made for furnishing of lodging in any jurisdiction in the
14 public facilities district exceeds eleven and one-half percent.

15 NEW SECTION. **Sec. 6.** This act applies retroactively to events
16 occurring on and after September 1, 2001.

17 NEW SECTION. **Sec. 7.** This act is necessary for the immediate
18 preservation of the public peace, health, or safety, or support of the
19 state government and its existing public institutions, and takes effect
20 immediately.

Passed the House March 14, 2002.

Passed the Senate March 13, 2002.

Approved by the Governor March 27, 2002, with the exception of
certain items that were vetoed.

Filed in Office of Secretary of State March 27, 2002.

1 Note: Governor's explanation of partial veto is as follows:

2 "I am returning herewith, without my approval as to section 3,
3 Second Substitute House Bill No. 1531 entitled:

4 "AN ACT Relating to the taxation of lodging;"

5 Second Substitute House Bill No. 1531 makes the application of the
6 sales tax to extended lodging more flexible, and allows it to more
7 easily accommodate real world business practices and needs.

8 Section 3 of the bill was intended to allow a municipality located
9 in more than one county to impose the special local lodging tax in each
10 county at the maximum rate. However, due to a drafting error, it had
11 no effect. In addition, other statutes would need to be changed in
12 order to achieve the intent of section 3.

13 I am directing the Department of Revenue to work with the concerned
14 parties to perfect language for legislation that can be introduced by
15 those parties in the next legislative session.

1 For these reasons, I have vetoed section 3 of Second Substitute
2 House Bill No. 1531.

3 With the exception of section 3, Second Substitute House Bill No.
4 1531 is approved."