



Lodging Tax (Hotel-Motel Tax)

This page provides an overview of the lodging tax, also known as the hotel-motel tax, that cities and counties in Washington State may charge to benefit tourism.

What is the Lodging Tax?

The lodging tax, also referred to as the hotel-motel tax, is a consumer tax on lodging charges for periods of less than 30 consecutive days for hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities.

How Can the Lodging Tax Revenues Be Used?

The guiding principle for the use of lodging taxes is that they must be used for activities, operations and expenditures designed to increase tourism. Specifically, lodging taxes can be used for:

- **Tourism marketing;**
- Marketing and operations of special events and festivals designed to attract tourists;
- Operations and capital expenditures of tourism-related facilities owned or operated by a municipality or a public facilities district; or
- Operations of tourism-related facilities owned or operated by nonprofit organizations ([RCW 67.28.1816](#)).

Note that, as of July 1, 2013, capital expenditures for tourism-related facilities owned by nonprofit organizations are no longer permitted expenditures of lodging tax funds.

If you are considering using lodging tax revenues to fund staff support of the Lodging Tax Advisory Committee, see MRSC's blog post on [Using Lodging Taxes for Staff Support of LTAC](#).

In addition, 2015 legislation ([SB 1223](#)) also allows cities and counties to (optionally) use lodging tax revenues to repay general obligation bonds ([RCW 67.28.150](#)) or revenue bonds ([RCW 67.28.160](#)) for affordable workforce housing within a half-mile of a transit station. The legislation does not grant additional bonding capacity or lodging tax resources but provides another option for the use of these limited resources. (King County has separate mandatory provisions requiring at least 75% of the revenues to be used for affordable housing and the arts beginning in 2021. However, these provisions do not apply to other local governments.)

What is Included in Tourism Marketing and Operations?

It includes activities defined as "tourism promotion" in state law ([RCW 67.28.080](#)).

- **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 or operation of special events and festivals designed to attract tourists.

What is a "Tourism-Related Facility"?

A tourism-related facility is a 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, nonprofit organization (including a non-profit 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 (RCW 67.28.080).

What Kinds of Facilities Does this Include?

It depends. The guiding principle here is that the facilities should be used by tourists. So, for example, a municipal golf course would likely be a permitted expenditure in Chelan, where it probably would not be if it were in a residential neighborhood in Spokane. Each situation is unique.

Applications for Lodging Tax Funds

In counties or cities of at least 5,000 population, applications must be submitted directly to the lodging tax advisory committee (LTAC). In counties or cities of less than 5,000, applications are submitted to the county or city. The law is silent on how often the awards should be made. Some jurisdictions choose to make awards as part of their annual budget cycle. Others also make mid-year awards to account for unexpected increases or decreases in projected revenue.

Who Must Apply?

- Convention and visitors bureaus;
- Destination marketing organizations;
- Nonprofits, including main street organizations, lodging associations, or chambers of commerce;
- Municipalities - The State Auditor's Office is interpreting the law to mean that all users of funds, including municipalities, are considered applicants and must follow relevant application procedures. So, cities and counties should submit applications for their own projects to the LTAC.

What is Included in the Application?

All applications must include estimates of how funding the activity will result in increases to people staying overnight, travelling 50 miles or more, or coming from another state or country. To ensure this data is collected, jurisdictions should require this information on their lodging tax application forms.

There is no requirement that priority for funding be given to applicants expected to generate the most travelers, and lodging tax revenue may still be awarded to recipients who generate few of these types of travelers.

Examples of Funding and Application Guidelines

- [Mount Vernon 2017 Lodging Tax/Tourism Promotion Funding Application Guidelines and Information](#)
- [San Juan County 2017 Lodging Tax Facilities Grant Program](#)
- [Ocean Shores 2015 Lodging Tax Plan for Use and Application Information](#)

Examples of Applications for Lodging Tax Funds

- [Ellensburg Request for Proposals Lodging Tax Fund \(2014\)](#)
- [Lacey Application for City of Lacey Lodging Tax Funds \(2013\)](#)
- [Pacific County Lodging Tax Grant Application Packet \(2015\)](#)
- [Wenatchee Application for Wenatchee Lodging Tax Funds \(2013\)](#)

Review and Selection of Applications

In a municipality of at least 5,000 population, the LTAC receives all applications for lodging tax revenue and recommends a list of candidates and funding levels to the municipality's legislative body for final determination. If a municipality under 5,000 chooses to establish a LTAC, they may, but do not have to, follow these requirements.

What Does the Municipality Do with the LTAC's Recommendations?

The legislative body "may choose only *recipients* from the list of candidates and recommended amounts provided by the local lodging tax advisory committee" (RCW 67.28.1816(2)(b)(ii), emphasis added). However, an [informal opinion from the Attorney General's Office](#) in 2016 states that the legislative body may award amounts different from the LTAC's recommended amounts, but only after satisfying the procedural requirements of [RCW 67.28.1817 \(2\)](#). This requires the municipality to submit its proposed change(s) to the LTAC for review and comment at least forty-five days before final action is taken.

For more details, see our blog post on [Informal AG Opinion Clarifies Lodging Tax Awards](#).

Contracts with Recipients of Lodging Tax Funds

Because of the state constitutional gift of public funds prohibition, a city or county should enter into a contract with any private organization providing marketing services, operating special events or festivals, or any other tourist promotion activity. The contract should spell out the tourism-related services to be provided in exchange for city or county funding and what reports will be required. Also, any organization doing promotion on behalf of the city or county may only spend lodging tax funds on items that the city or county itself could fund. This prohibits, for example, any expenditures on promotional hosting.

Examples of Contracts for Services with Recipients of Lodging Tax Funds

- [Olympia Professional Services Agreement for Tourism Promotion \(Lodging Tax\) Services](#)
- [Union Gap Old Town Days Agreement \(2011\)](#)
- [Wenatchee Municipal Services Agreement Re: Lodging Tax Funded Activities \(2014\)](#)

Reporting Requirements

- All entities receiving lodging tax funds must provide information to their respective local government on their use of these funds as required by [RCW 67.28.1816](#). This includes local governments that directly use lodging tax funds for municipal purposes, such as municipal facilities or community events. Local governments will then, in turn, report this information annually to JLARC using their [on-line reporting system](#).

- Local governments should, as part of their contract with recipients, require that the report be provided immediately after the event or activity.
- The deadline for local governments to submit the annual data to JLARC is May 30 for the year ending the previous December 31.
- JLARC does *not* provide advice on how to estimate tourism impacts. Good faith estimates of actuals can be reported provided applicants and users of funds indicate how those estimates will be developed. All information (including descriptions of how actual impacts were estimated) will be available for public review.
- JLARC can be contacted for technical issues associated with the reporting portal by emailing jlarc@leg.wa.gov

Reference Sources

- [Instructions for Reporting Lodging Tax Expenditures](#) (February 2018)
- [2016 JLARC Compilation of Municipal Reports – Lodging Tax](#)
- [FAQs for Reporting Lodging Tax Expenditures](#) (February 2018)

Lodging Tax Advisory Committee (LTAC)

- This committee must have at least five members, appointed by the governing body.
- The committee membership must include at least two representatives of businesses that are required to collect the lodging tax, at least two people who are involved in activities that are authorized to be funded by this tax, and one elected city official who serves as chairperson of the committee. The statute also provides that a person who is eligible under the first category is not eligible for appointment under the second category, and vice versa.
- Organizations representing hotels and motels and organizations involved in activities that can be funded by this tax may recommend people for membership.
- The number of committee members from organizations representing the hotels and motels and the number from organizations involved in activities that can be funded must be equal.
- A city's committee may include a non-voting elected county official and vice-versa.
- The governing body must review the membership of the committee annually.

In addition to reviewing applications for the use of the lodging tax, what does the committee do?

Any proposal to impose a new lodging tax, raise the rate of an existing tax, repeal an exemption from the lodging tax, or change the use of the tax proceeds, must be submitted to the lodging tax advisory committee for review and comment.

- This submission must occur at least 45 days before final action will be taken on the governing body's proposal. Even if the committee finishes its work before the 45 days are up, the governing body still must wait 45 days.
- The committee's comments must include an analysis of the extent to which the proposal will accommodate activities for tourists or increase tourism, and of the extent to which it will affect the long-run stability of the fund to which the hotel-motel taxes are credited.
- If the advisory committee does not submit comments before the time that final action is to be taken on the proposal, the governing may go ahead and take final action.

Examples of LTACs and Code Provisions

- Kirkland Municipal Code Ch. 5.19 - Lodging Excise Tax
- Olympia Lodging Tax Advisory Committee
- Port Townsend Municipal Code Ch. 2.74 - Lodging Tax Advisory Committee
- Kitsap County Lodging Tax Advisory Committee
- San Juan County Lodging Tax Advisory Committee - see also San Juan County Code Sec. 3.16.030-.050

What Are the Tax Rates?

Any county and most cities may impose a "basic" two percent tax under RCW 67.28.180 on all charges for furnishing lodging at hotels, motels, and similar establishments (including bed and breakfasts and RV parks) for a continuous period of less than one month. This tax is taken as a credit against the 6.5 percent state sales tax, so that the total tax that a patron pays in retail sales tax and the hotel-motel tax combined is equal to the retail sales tax in the jurisdiction. In most cases, when a city and county both impose this tax, there is a credit for the amount of the city tax against the county tax so that two taxes are not levied on the same taxable event.

In addition, most counties and cities may levy an additional tax of up to two percent, for a total rate of four percent, under RCW 67.28.181(1). This "special" tax is not credited against the state sales tax. Therefore, if a county or city levies this additional tax, the total tax on the lodging bill will increase by two percent.

There are some exceptions established in RCW 67.28.181(2).

RCW 67.28.181(1) stipulates that this additional two percent tax may be levied as long as the total tax rate under Ch. 36.100 RCW (the public facilities district tax), Ch. 82.08 RCW (the state sales tax), Ch. 82.14 RCW (the city, county, and transit district sales taxes), Ch. 67.28 RCW (the hotel-motel tax chapter), and Ch. 67.40 RCW (the convention and trade center tax) does not exceed twelve percent. (Note that the sales tax rate for the Regional Transit Authority (Sound Transit) in portions of King, Pierce, and Snohomish counties is not included in making these calculations.) The limit for the total rate in Seattle is 15.2 percent, because the convention center tax is higher than in the rest of the county. This means that most cities in King County may only levy a one percent tax and Seattle cannot levy any tax.

Counties (including the cities within the county) and cities that had authority to levy a "special" tax before July 27, 1997 that allowed a total rate higher than four percent, had that rate grandfathered in by the 1997 legislation. Grays Harbor and Pierce counties are in this category, plus Chelan, Leavenworth, Long Beach, Bellevue, Yakima, and Winthrop.

Cities located in counties that had the authority to levy a total four percent tax county-wide before January 1, 1997, are limited to the "basic" two percent rate. This affects cities in Snohomish and Cowlitz counties.

Due to some unique circumstances, there was a period of time at the end of 1997 and beginning of 1998 when the outstanding taxing authority was six percent, rather than the four percent the legislature intended. During this time, Wenatchee and East Wenatchee raised their total tax to six percent. These rates were grandfathered in by the 1998 legislature.

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from
MISC. inquiries

May lodging tax monies be spent for a walking map of town?

Reviewed: 06/14

If this walking map of the town is intended for tourists and to be distributed mainly to tourists, we think it would be eligible for funding by the lodging tax. The map would, we think, fall within the definition of "tourism promotion," which is defined in RCW 67.28.080(6) as:

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.

(Our emphasis.) We think this map would qualify as distributing information for the purpose of welcoming tourists, assuming that is its purpose.

(Link to this question)

May lodging (hotel-motel) tax revenues be used for banners?

Reviewed: 01/14

In our opinion, lodging tax funds may not be used for banners that would simply be for city beautification, such as those decorative ones that might hang from light posts. We do not think that would be considered "tourism promotion" for which lodging tax money may be spent under RCW 67.28.1815. That term is defined in RCW 67.28.080(6): as follows:

"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.

However, lodging tax funds probably may be used for a banners that, for example, announce upcoming events that tourists might attend, such as an upcoming annual festival.