

# 2% LODGING TAX REVENUES IN KING COUNTY

*Historical Paper No.24*



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## Introduction

The following timeline relating to usage of “hotel-motel” or lodging tax revenues in King County is based upon contemporary newspaper accounts, web based essays, State Law (Revised Code of Washington, Session Laws), King County Ordinances and Codes, and official documents including *Taxation of Lodging in Washington State*, a Staff Report to the Committee on Finance, Washington House of Representatives, January 1996.”

- 1955 State Legislature first authorizes lodging sales tax.
- 1957 State lodging tax is made permanent.
- 1967 King County is authorized to impose 2% state-shared lodging tax to help support Kingdome; it is a credit against state’s share of the lodging sales tax.
- 1968 King County sells bonds to help finance Kingdome construction; they were originally intended to mature in 2012.
- 1970 Cities over 150,000 in population (Tacoma, Spokane) also authorized to impose state-shared (2%) lodging tax, except in AA Counties (King).
- 1973 All other cities, towns and counties authorized to impose state-shared (2%) lodging tax.
- 1974 Bellevue imposes an additional (“double dip”) state-shared (2%) tax to finance its Meydenbauer convention center.
- 1975 State Legislature limits further double-dips, precluding cities and towns in King County from imposing the tax.
- 1976 Kingdome opens to the public.
- 1986 Kingdome lodging tax revenues capped at \$5.3 million annually; 100% of excess above that amount was allocated to “art & cultural museums”; King County is authorized to use state-shared 2% lodging tax revenue for Kingdome capital improvements; luxury sky boxes and other improvements to Kingdome are made, freeing up County funds for lease concessions to sports franchises.
- 1987 Use of excess 2% lodging revenues in King County expanded to include heritage museums, the arts and the performing arts.
- 1988 A proposal is developed to use excess 2% lodging tax revenue to build a parking garage for the Kingdome.
- 1990 First surplus revenues become available and are allocated in King County for cultural programs; County Ordinance allocates 40% to schools for cultural education, 40% for cultural enhancement and 20% for opportunity grants.
- 1990 Major capital improvement proposals are developed for the Kingdome, the Washington Trade and Convention Center, and the Seattle Center. All would tap excess 2% lodging tax revenues.
- 1991 The City of Seattle further develops a proposal for major capital improvements to the Seattle Center totaling over \$222 million. A joint city-county tax levy is developed in which the County would raise \$94.26 million from county taxpayers and the City would raise \$25.83 million from city taxpayers. An additional \$10 million would come from excess 2% lodging tax revenues. The City measure passes but the County measure fails. The plan to draw \$10 million in excess 2% revenues ends, the County begins bonding against the cultural portion of the excess 2% revenue for arts facilities.

- 1991 The Legislature forbids allocation of excess 2% lodging tax revenues in King County to schools; further restrictions imposed included: 70% minimum mandatory allocation to facilities through 2000; mandated qualifications for recipients of facility funds; and establishment of a cultural endowment between 2001-2012 – in effect reducing annual allocations significantly for cultural programs after 2001. In addition, 25% of excess was reallocated to the Kingdome and other purposes, increasing to 30% after 2001, further reducing annual revenues to cultural programs.
- 1994 Roof tiles fall in Kingdome; emergency repairs are made; over \$60 million in additional debt is incurred.
- 1994 Ordinance 11242 further modifies the use of excess 2% lodging tax revenues by the Arts and the Landmarks and Heritage Commissions; it establishes the Cultural Facilities, Cultural Education and Special Projects Grant Programs.
- 1997 Statewide Referendum 48 passes extending the 2% lodging tax “sunset” through 2020; all proceeds in King County dedicated to stadiums after 2012; cities and towns are precluded from imposing the 2% lodging tax (thus reducing revenue to the County) until 2021; local jurisdictions authorized to impose an additional 1% lodging tax for tourism promotion purposes.
- 2000 Kingdome is imploded, but leaves a significant bond debt.
- 2001 2% lodging tax funds first deposited in Cultural Endowment; new revenues for cultural programs diminish to 42% of total excess 2% lodging tax funds.
- 2001 The County extends bonding against excess 2% lodging tax revenues to the heritage portion of the funds via the Major Regional Cultural Facilities Bond Program.
- 2002 Cultural Development Authority (CDA) of King County is established and authorized to allocate 2% lodging tax funds for cultural programs via Ordinance 14482. The allocation formula for cultural funding program is modified; flexibility of allocations between certain heritage grant programs is permitted.
- 2003 King County first transfers surplus 2% lodging tax funds to the CDA; CDA begins allocations of lodging tax funds for cultural programs.
- 2004 Ordinance 14917 further modifies the allocation formula for lodging tax funds for cultural programs, permitting additional flexibility between certain funding programs for arts and heritage programs.
- 2004 The CDA re-brands itself as 4Culture.
- 2012 New 2% lodging tax funds for cultural programs end; 100% of new revenue in King County dedicated to stadium purposes through 2020.
- 2015 Kingdome bonds paid off; all revenues revert to the football stadium account.
- 2021 King County 2% lodging tax as defined in RCW 67.28.180 ends.

State Mandated Funding Formula Diagrams

The following diagrams provide graphic information about the various state mandated funding formulas that have funded arts and heritage programs since 1990. King County ordinance has further qualified the funding formula by ordinance, allocating at least 20% of available funds to Heritage Programs. Since 2001 10% of the heritage share of funding has been dedicated to the Landmarks Rehabilitation Grant Program, now administered by the Preservation 4Culture Program.

Additional Information

Additional information about use of 2% lodging tax revenues is available in Historical Paper No. 21, *The Cultural Legacy of Lodging Tax Revenues in King County*.

This information is available upon request in alternative formats for persons with disabilities. TTY Relay: 711.

King County  
2% Lodging Tax Revenues  
1990-1991

First \$5.3 Million  
in Revenue Dedicated  
to Stadium  
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Excess above that Allocated to:



Cultural Purposes  
**100%**

Cultural Education  
**40%**  
(80% Arts, 20% Heritage)

Facilities & Projects  
**60%**  
(80% Arts, 20% Heritage)

King County  
2% Lodging Tax Revenues  
1992-2000

First \$5.3 Million  
in Revenue Dedicated  
to Stadium  
-----  
Excess above that Allocated to:

Stadium, Youth Sports, Etc  
**25%**

Cultural Purposes  
**75%**

Facility Grants  
**7/10**

Project Grants  
**3/10**

King County  
2% Lodging Tax Revenues  
2001-2012

First \$5.3 Million  
in Revenue Dedicated  
to Stadium  
-----  
Excess above that Allocated to:

Stadium(s), Youth Sports, Etc.  
**30%**  
New Revenue

Cultural Purposes  
**70%**  
New Revenue

Cultural  
Endowment  
**2/5**

4Culture  
Grant Programs &  
Administration  
**3/5**

King County  
2% Lodging Tax Revenues  
2013-2020

Stadium(s)  
**100%**  
New Revenue

Cultural Purposes  
**0%**  
New Revenue

Annual Cultural Allocation  
=  
Interest Earnings from  
Cultural Endowment  
Builds 2001--2012