

FROM: AWC Legislative Bulletin, Interim Bulletin No. 1, May 2004

Hotel/Motel Tax Audits

By Brian Sonntag, State Auditor

The hotel/motel tax (or lodging tax) is a restricted revenue source that tends to generate controversy. We hope this will communicate briefly what the statute allows and the approach the State Auditor's Office is taking in auditing your use of this tax.

Under RCW 67.28.1815, hotel/motel tax revenue is to be used solely for the purpose of paying all or part of the costs of tourism promotion; acquisition of tourism-related facilities; operation of tourism-related facilities; or funding a multi-jurisdictional tourism-related facility.

Based on extensive research, we have concluded the Legislature intended the use of this revenue to be locally controlled. One indicator of this is the establishment of the lodging tax advisory committee in RCW 67.28.1817 if a city has 5,000 or more residents.

Therefore, we are changing our approach to auditing hotel/motel tax use. We will look at the process your entity has in place for deciding on the use of this money. If your municipality has 5,000 or more in population, we will see if you have a committee in place, if the membership is appropriate and whether it is operating in compliance with state law. If your entity is less than 5,000 in population, we will look to see if you have a committee even though it is not required or what other process your entity uses to distribute these funds.

We also will look at the analysis prepared by either the committee or the council/commission that demonstrates that the money is being used in compliance with state law. If we are satisfied that a working process is in place and the analysis has been done, we will scan your expenditures to make sure that they are appropriate.

So, please be sure you have a process in place to decide on how the money will be spent and documentation supporting approval of these expenditures.

In addition, the Association of Washington Cities is currently working with cities and interested legislators to ask the Attorney General's Office to reconsider AGO 2000 #9 on tourism related facility ownership and the memorandum to our Office dated September 22, 2003 on prepayment of lodging tax funds to recipients. Since the guidance we currently have may change, we will not be auditing these two issues during this current audit cycle.

If you have any questions regarding this issue, please call Jan Jutte, Deputy Director of Audit, at (360) 725-5359 or email her at juttej@sao.wa.gov. You can also submit a question to our Help Desk at www.sao.wa.gov.