

# Washington Tourism Marketing Act

HB 1938/ SB 5916

**Industry funded**

**State-wide representation**

**Industry led**

## Legislative Approval

- Establishes Washington Tourism Marketing Authority (WTMA)
- Sets fees in statute
- Sets specific business activities subject to fee in statute
- Identifies 5 tourism sectors in statute
- Requires annual report from WTMA
- Sunsets program in 8 years

## Department of Revenue

- Collects fees starting January 1, 2016

## Washington Tourism Marketing Authority (WTMA)

- 13 member industry board, Secretary of State and Director of DOR serve as ex-officio members
- Contracts with statewide non-profit tourism marketing entity (Marketing Entity)
- Evaluates effectiveness of program developed and implemented by the Marketing Entity



## WTMA Board

*(Appointed by Secretary of State & Director of DOR)*

- Lodging
- Food Service
- Retail Attractions & Entertainment
- Transportation
- Destination Marketing Organization

*Appointments shall reflect diversity in:*

- Geography
- Size of business
- Gender
- Ethnicity

## Marketing Entity

- Develops and implements a statewide tourism marketing program
- Sole purpose is marketing Washington to tourists
- Must be governed by a board representing tourism sectors and geographic diversity
- An example of a Marketing Entity is the Washington Tourism Alliance (WTA)
- WTA Board consists of the following regional representation:
  - Northwest: San Juan, Island, Whatcom and Skagit Counties
  - Olympic Peninsula: Clallam, Jefferson, Grays Harbor and Mason Counties
  - Southwest: Pacific, Lewis, Wahkiakum, Cowlitz, Clark and Skamania Counties
  - North Puget Sound: Snohomish and King Counties
  - South Puget Sound: Pierce, Kitsap and Thurston Counties
  - Northeast: Okanogan, Ferry, Stevens, Pend Oreille, Lincoln and Spokane Counties
  - Southeast: Adams, Whitman, Garfield, Asotin, Columbia and Walla Walla Counties
  - North Central: Douglas, Chelan, Kittitas, Counties
  - South Central: Yakima, Klickitat, Grant, Franklin and Benton Counties
  - At Large (2)
  - Additionally there are representatives of different sectors of the tourism industry, both small and large

## Proposed Fees

### Food service

<u>adjusted gross revenues</u>	<u>annual fee</u>
Less than \$500,000	\$ 25
\$500,000 – \$999,999	\$ 175
\$1,000,000 – \$1,499,999	\$ 350
\$1,500,000 – \$1,999,999	\$ 525
\$2,000,000 – \$2,499,999	\$ 700
\$2,500,000 – \$2,999,999	\$ 875
\$3,000,000 – \$3,499,999	\$ 1,050
\$3,500,000 – \$3,999,999	\$ 1,225
\$4,000,000 – \$4,499,999	\$ 1,400
\$4,500,000 – \$4,999,999	\$ 1,575
\$5,000,000 – \$5,499,999	\$ 1,750
\$5,500,000 – \$5,999,999	\$ 1,925
\$6,000,000 – \$6,499,999	\$ 2,100
\$6,500,000 – \$6,999,999	\$ 2,275
\$7,000,000 – \$7,499,999	\$ 2,450
\$7,500,000 – \$7,999,999	\$ 2,625
\$8,000,000 – \$8,499,999	\$ 2,800
\$8,500,000 – \$8,999,999	\$ 2,975
\$9,000,000 – \$9,499,999	\$ 3,150
\$9,500,000 – \$9,999,999	\$ 3,325
Over \$10,000,000	\$ 3,500

### Attractions and entertainment

<u>adjusted gross revenues</u>	<u>annual fee</u>
\$200,000 – \$599,999	\$ 100
\$600,000 – \$999,999	\$ 250
\$1,000,000 – \$1,999,999	\$ 400
\$2,000,000 – \$4,999,999	\$ 1,000
Greater than \$5 million	\$ 2,500

### Retail

<u>adjusted gross revenues</u>	<u>annual fee</u>
\$200,000 – \$599,999	\$ 100
\$600,000 – \$999,999	\$ 200
\$1 million – \$5 million	\$ 600
Greater than \$5 million	\$ 1,200

### Transportation

<u>adjusted gross revenues</u>	<u>annual fee</u>
Less than \$500,000	\$ 125
\$500,000 – \$999,999	\$ 250
\$1 million – \$4,999,999	\$ 1,000
Greater than \$5 million	\$ 2,500

### Lodging

Lodging establishments with 20 rooms and over =  
\$.15 per occupied room night

A **restaurant** with **\$400,000** in adjusted gross revenues fee is **\$25** annually

An *identified* **retail** business with less than **\$200,000** in adjusted gross revenues fee is \$0

An *identified* **retail** business with **\$400,000** in adjusted gross revenues fee is **\$100** annually

An *identified* **attraction** business with less than **\$200,000** adjusted gross revenues fee is \$0

An *identified* **attraction** business with **\$500,000** adjusted gross revenues fee is **\$100** annually

## **TOURISM SECTORS AS DEFINED IN LEGISLATION**

### **"Attractions and entertainment"**

- Producing live presentations involving the performance of actors, actresses, singers, dancers, musical groups, or other performing artists;
- Operating a professional or semiprofessional team or club primarily engaged in participating in live sporting events before a paying audience;
- Operating any kind of racetrack or the presenting or promoting of racing events held at a racetrack;
- Organizing, promoting, or managing performing arts productions; sporting events; and similar events, such as fairs, concerts, and festivals;
- Representing or managing creative and performing artists, athletes, entertainers, or other public figures;
- The preservation and exhibition of objects of historical, cultural, or educational value;
- The preservation and exhibition of sites, buildings, forts, or communities that describe events or persons of particular historical interest;
- The preservation and exhibition of live plant or animal life displays;
- The preservation and exhibition of natural areas or settings;
- Operating an amusement park, theme park, water park, or similar facility;
- Operating an amusement arcade or parlor, including a billiards parlor;
- Operating a golf course open to the public;
- Operating a driving range or miniature golf facility;
- Operating a downhill or cross-country skiing area, including operating equipment such as ski lifts and tows;
- Acting as a travel agent or tour operator taxable under RCW 18.82.04.260(5);
- Engaging in the business of operating contests of chance taxable under RCW 82.04.285; or
- Operating a "marina," which means providing docking or storage facilities primarily or exclusively for pleasure craft owners, with or without any related activities, such as retailing fuel and marine supplies, and repairing, maintaining, or renting pleasure craft.

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### **"Retail"**

- An establishment that primarily sells one or more of the following categories of goods: Alcohol products intended for off-premises consumption; any type of clothing, including shoes and accessories; jewelry; luggage or leather goods; sporting goods, including athletic uniform supply stores, fishing supply stores, bicycle shops, golf equipment stores, saddlery stores, diving equipment stores, general sporting goods stores, fitness equipment stores, outdoor recreation stores, and gun shops; books; novelty merchandise; souvenirs; greeting cards; seasonal and holiday decorations; curios; toys; games; and hobby and craft supplies except needlecraft;
- An establishment that has separate departments for various merchandise lines, including department stores and discount department stores;
- An establishment selling a general line of groceries in combination with general lines of merchandise, including warehouse clubs and supercenters; or
- An establishment selling a general line of merchandise, such as apparel, automotive parts, dry goods, hardware, groceries, housewares, or home furnishings, and other lines of merchandise in limited amounts, with none of the lines of merchandise predominating, such as dollar stores, general stores, and variety stores.

## **"Lodging"**

- A person that furnishes lodging taxable by the state under chapter 82.08 RCW at a facility that contains twenty or more lodging units.
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## **"Food Service"**

- Businesses whose primary business activity in this state is operating a "restaurant" as defined in RCW 82.08.9995:
    - "Restaurant" means any establishment having special space and accommodation where food and beverages are regularly sold to the public for immediate, but not necessarily on-site, consumption, but excluding grocery stores, mini-markets, and convenience stores. Restaurant includes, but is not limited to, lunch counters, diners, coffee shops, espresso shops or bars, concession stands or counters, delicatessens, and cafeterias. It also includes space and accommodations where food and beverages are sold to the public for immediate consumption that are located within hotels, motels, lodges, boarding houses, bed and breakfast facilities, hospitals, office buildings, movie theaters, and schools, colleges, or universities, if a separate charge is made for such food or beverages. Mobile sales units that sell food or beverages for immediate consumption within a place, the entrance to which is subject to an admission charge, are "restaurants." So too are public and private carriers, such as trains and vessels, that sell food or beverages for immediate consumption if a separate charge for the food and/or beverages is made. A restaurant is open to the public for purposes of this section if members of the public can be served as guests. "Restaurant" does not include businesses making sales through vending machines or through mobile sales units such as catering trucks or sidewalk vendors of food or beverage items.
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## **"Transportation"**

- Transporting paying passengers for hire by motor vehicle or vessel;
- Providing day trips for sightseeing purposes. Such transportation includes sightseeing busses and trolleys, steam train excursions, horse-drawn carriage rides, airboat rides, dinner cruises, harbor sightseeing tours, aerial sightseeing flights, hot air balloon rides, aerial tramways, and similar transportation activities;
- Making retail car rentals as defined in RCW 82.08.011; or
- Providing automobile parking or storage garage services defined as a retail sale in RCW 82.04.050.

# HB 1938/SB 5916 – Tourism Marketing Act

## Fact Sheet

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**Q: What process did you go through to get to this outcome? What kind of stakeholder input did you receive?**

**A:** We are the only state in the nation without a state-funded tourism office/marketing authority. We are breaking new ground and we have developed a proposal that has been deeply and thoughtfully crafted with input from around the state and different sectors since the summer of 2011. We have spent years traveling the state, updating as many businesses and organizations as possible; seeking input and gathering feedback. We have invested time and energy into meeting with other states, commissions, legislative and state agency staff to find out what is possible and what is not, while maintaining an ‘industry funded – industry driven’ proposal.

**Q: Why did you not propose a commodity commission?**

**A:** Typically, commodity commissions are reserved for tangible commodities (i.e. potatoes or wine). Tourism is a service and these businesses are not established to produce merely one commodity or service; tourism is just one output among others. Moreover, there are too many businesses in this category to accurately gauge, so the WTA turned to the state to assist.

**Q: Why can't you have the DOR compile a list of those who would be required to pay the fee and have an election so there is some accountability/representation?**

**A:** There are 33,000 businesses in the five industry sectors named in the legislation. The sheer cost of contacting those businesses and explaining the proposal would be prohibitory. There are simply too many. Getting the required number of businesses to return a ballot would be nearly impossible.

**Q: Why don't you have legislative representation on the WTMA board?**

**A:** This is strictly a contracting board. As it is currently designed the board would be comprised of industry representatives who have direct experience and expertise in tourism marketing. Adding four legislators to the board would move us from our intent to be an industry funded and industry led effort, governed by individuals who are tourism professionals.

**Q: What will proposed SHB 1938 and SSB 5916 do if passed?**

**A:** These bills will establish a system to collect annual fees from businesses in five industry sectors most impacted by tourism (lodging, food service, attractions and entertainment, transportation and retail). The fees will be used to implement a long-term, sustainable statewide tourism marketing program and conduct research to determine the effectiveness of the program.

**Q: Who proposed and sponsored this bill?**

**A:** The bill was proposed by the Washington Tourism Alliance (WTA), a 501(c)(6) organization established by industry stakeholders with the sole mission of sustaining Washington State destination tourism marketing. HB 1938 is sponsored by Representatives Appleton, Johnson and others in the House. SB 5916 is sponsored by Senators Brown, Chase and others.

**Q. Why is a sustainable, long-term funding program needed?**

**A.** Since the legislature closed the state tourism office in 2011, Washington has been is the only state in the U.S. without a state-supported tourism marketing program. Competition has never been stronger for the tourism dollar. We are at significant risk of losing market share without a state-wide marketing program.

**Q. Is there a long-term funding dollar goal, and where would that money come from specifically?**

**A.** WTA is proposing a minimum initial fund of \$7.5 million. The five tourism industry sectors and their assessment amounts are named in the legislation:

Accommodations	\$2,400,000
Food service	\$2,100,000
Attractions	\$975,000
Retail	\$1,425,000
Transportation	\$600,000
Total	\$7,500,000

*\*Additional funding anticipated – ports, tribes, wineries, airlines, cruise lines, chambers and economic development organizations, DMOs.*

**Q: How were assessed fees determined for each industry segment?**

**A:** Total fees for a sector are based generally on its contribution to statewide tourism revenues. That total is then divided among businesses in the sector according to adjusted gross revenue. Businesses not identified to pay a fee, such as ports and tribes, could participate in the statewide marketing program by making contributions directly to the non-profit organization.

**Q: How expensive are the fees for individual Washington businesses?**

**A:** By spreading the fees across various tourism sectors the level is relatively low per business entity. A \$100 annual fee on a business that earns \$200-\$600K annually is well worth the investment of driving more tourists to our state, our economy and most importantly our establishments.

**Q: If HB 1938 and SB 5916 pass, approximately when would fees be collected and used for statewide tourism marketing activities?**

**A:** Fees would become effective in January 2016. The fees would be collected through the Department of Revenues system for collecting taxes and other fees.

**Q: Who is marketing statewide tourism in the meantime?**

**A:** WTA's current, but slim, annual \$780,000 budget (which includes some remaining dollars from state bridge funding which expires June 30, 2015) is essential to maintaining our state's modest marketing activities, including visitor guide collateral, destination web site, trade show marketing participation, travel publicity, social media and more. The existing budget also allows WTA to maintain tourism research and to ensure geographic diversity through all its marketing which means that small communities get their fair share of tourism's benefit.

**Fees**

- Fee vs. Tax - ***A fee is a charge that provides a direct benefit*** - in this case, the 'direct benefit' is a statewide tourism marketing program that brings more visitors into Washington State. Those new visitors which generate more activity for tourism businesses subject to the fees. This activity also increases tax dollars to towns, cities and the state.
- ***'Adjusted gross revenues'*** is defined as ***income after any valid deduction or exemptions in current state law.***
- How will this fee be collected? ***Through the existing DOR excise tax form***, with a separate column or entry place, and on the same schedule used to pay excise taxes (e.g., quarterly, monthly).
- This proposal is ***modeled after the current Electronic Recycling Program*** set in statute where businesses pay a fee to a board comprised of representatives of the affected industry.

**Why can't this be a voluntary organization (e.g. Statewide Chamber of Commerce)?**

- In order to plan a long term marketing program, there must be predictability of funds available for the program. Voluntary contributions don't offer that predictability.
- If totally voluntary, the plan will be based on a ***'pay to play'*** focus – because ***membership will be what drives the existence.***
- ***'Pay to play'*** would likely exclude smaller businesses and regions from being represented.
- If there is ***direction in representation from the legislature*** and ***predictable funding*** then the ***process will be inclusive.***

**Protection for businesses – significant control by the legislative branch**

- The ***fees are set in statute***; they are not set by a private board or state agency.
- Additionally who is covered by the fees is set in statute.
- The ***legislature could amend or repeal this statute*** in the future.

**Regional & small business representation**

- First, it is important to note the ***structure that is established is done so in statute.***
  - ***The Washington Tourism Marketing Authority (WTMA)*** – which does NOT exist at this time – ***would contract with an organization that would develop and implement the marketing plan.***
  - ***The WTMA would set out the general outline of the statewide marketing program but it is the contractor's job to put the details of the program together.***
  - ***The WTMA is a public body*** whose members include representatives of businesses that would be subject to fees, the Secretary of State and the head of the Department of Revenue. Business representatives are appointed by the latter two

officials and must be from recommendations submitted by businesses. This structure is **similar to the Electronic Recycling Act (RCW 70.95N)**, a long standing example of a public private partnership.

- The WTMA has limited responsibilities that include **contracting with a statewide non-profit organization to design and implement a statewide marketing program and evaluating the effectiveness of that program.**

*The second part of the structure includes the requirements of the contractor, the organization actually implementing the statewide marketing plan.*

- Under section 8(2) of the substitute bill, **the statewide non-profit organization** whose sole purpose is marketing Washington to tourists **must have representatives on its board that reflect geographic diversity as well as representatives from small and large businesses subject to the fees. It is this board that will guide the formation and implementation of the statewide marketing program.**

***If the Washington Tourism Alliance is the chosen as the contractor these requirements would be fulfilled.***

- Current composition of the WTA board **includes geographic representation** based on the following regions:
  - **Northwest:** San Juan, Island, Whatcom and Skagit Counties
  - **Olympic Peninsula:** Clallam, Jefferson, Grays Harbor and Mason Counties
  - **Southwest:** Pacific, Lewis, Wahkiakum, Cowlitz, Clark and Skamania Counties
  - **North Puget Sound:** Snohomish and King Counties
  - **South Puget Sound:** Pierce, Kitsap and Thurston Counties
  - **Northeast:** Okanogan, Ferry, Stevens, Pend Oreille, Lincoln and Spokane Counties
  - **Southeast:** Adams, Whitman, Garfield, Asotin, Columbia and Walla Walla Counties
  - **North Central:** Douglas, Chelan, Kittitas, Counties
  - **South Central:** Yakima, Klickitat, Grant, Franklin and Benton Counties
  - At Large (2)
  - Additionally there are representatives of **different sectors of the tourism industry, both small and large businesses**, on the current board.

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