

Estimating the Economic Boost of Marriage Equality in Washington State: Sales Tax



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Executive Summary

- We estimate that approximately **9,500 in-state same-sex couples will choose to marry in the three years** following an opening of marriage to same-sex couples in Washington State.
- The total spending on wedding arrangements and tourism by resident same-sex couples and their guests will add an estimated **\$88 million boost to the state and local economy** of Washington over the course of three years, with a **\$57 million boost in the first year alone**.
- This economic boost is likely to **add \$8 million in tax revenue** to state and local coffers, with an estimated **\$5 million occurring in the first year**.
- As a conservative estimate, if all of the 7,518 existing Washington resident same-sex couples registered as domestic partners were to marry or convert their registered domestic partnership into a marriage without holding a celebration, the estimated rise in wedding spending would be lower, or approximately \$18 million over the first three years.¹ This modified increase in spending would translate to \$1.6 million in tax revenue.
- This report does not include spending estimates for out-of-state same-sex couples that might travel to Washington in order to marry, spending additional funds on wedding planning and tourism during their brief stay.

Introduction

If the State of Washington grants same-sex couples the right to marry, we predict that the State will see a surge in spending related to weddings by same-sex couples who currently reside in Washington, as well as an increase in wedding and tourism spending by same-sex couples and guests from other states. This

increase in spending would benefit Washington's wedding and tourism-related businesses and would generate additional tax revenue for state and local coffers.

In this report, we estimate the size of the impact of marriage equality on Washington's businesses and on the state budget for the first

three years that same-sex couples are allowed to marry. The figures in this report are based on the best available data from several sources. We draw upon data indicating average wedding expenditures in Washington and tourism reports from 2010, U.S. Census 2010 data on same-sex couples, along with data regarding marriage expenses by same-sex couples in other states.

Based on the analysis set forth in detail below, we predict that in the first three years that same-sex couples are permitted to marry in Washington, the state's wedding and tourism-related businesses would see spending rise by \$88 million. As a result, the state and local tax revenues would rise by \$8 million. In an alternative set of calculations that makes the very conservative assumption of no new spending by couples currently in registered domestic partnerships, the state would see an increase in spending of \$18 million and a tax boost of \$1.6 million.

In-State Couples

In order to assess the economic impact of opening marriage to same-sex couples in Washington, we must first calculate the number of same-sex couples whose marriages will be legally recognized. According to U.S. Census 2010, Washington has 19,003 resident same-sex couples.² We draw upon the experience of other states that have permitted marriage

between individuals of the same-sex to estimate the number of same-sex couples who might elect to enter a marriage in Washington. In Massachusetts, a little more than 50% of same-sex couples married during that initial three year period.³ This prediction conforms to detailed data regarding rates at which same-sex couples have married in several other jurisdictions that have recently allowed them to do so.⁴

Based on the experience of Massachusetts, we predict that half of the same-sex couples of Washington would marry in the first three years. As a result, we estimate that a total of 9,501 marriage licenses will be issued to same-sex couples in the first three years following the opening of marriage to same-sex couples in the State of Washington.

Note that not all of these couples will marry within the first year that they are permitted to do so. We use data from Massachusetts to predict the timing and adjust our results throughout this report. Out of the total marriages of same-sex couples that took place in Massachusetts in the three-year period following 2004, 64% of marriages occurred in the first year, 21% in the second year, and 15% in the third year.⁵ Therefore, we predict that in Washington 64% of 9,501 same-sex couples would marry in the first year (Year 1), or 6,081 couples. An additional 21% would marry in the

second (Year 2), bringing the total to 85% of 9,501, or 8,076 couples. And finally, all 9,501 couples would be married by the end of the third year (Year 3).

Existing Domestic Partnerships

In this report we also take into account the fact that couples in existing registered domestic partnerships might have different spending patterns from couples that do not have that status. Data from a recent Williams Institute study of the patterns of partnership recognition for same-sex couples help us estimate how many Washington couples are currently in registered domestic partnerships.⁶ According to data provided by officials in Washington, 7,518 Washington resident same-sex couples registered as domestic partners between 2007 and 2011.

The wedding and tourism spending estimates provided in our report account for the 7,518 existing registered domestic partnerships by calculating a range of spending figures which include low-end and high-end estimates.

For our low-end estimate of spending in this report, we conservatively assume that each couple currently in a registered domestic partnership will marry or convert their domestic partnership into a marriage, forgoing a wedding ceremony and celebration. To do so, we subtract these couples from each of our three-

year marriage estimates, applying the same discounting percentages from the previous section. Thus, the total number of marriages by same-sex couples will drop to 1,983, with 1,269 performed in the first year (Year 1), 416 in the second year (Year 2) and 298 in the third year (Year 3).

For our high-end estimate, we assume that no couple currently in a registered domestic partnership will marry without a ceremony and celebration. Thus, this estimate will include all 9,501 same-sex couples in the calculations for total wedding spending and guest tourism figures.

Throughout our report, the low-end estimates are given in parentheses following the figures calculated for the high-end estimates.

Wedding Spending

According to *The Wedding Report*, the average spending on weddings in Washington State in 2010 was \$25,414. Due to societal discrimination, same-sex couples may receive less financial support from their parents and other family members to cover wedding costs, resulting in overall reduced spending. Also, only spending that comes from couples' savings would truly be "new spending" for the State's businesses, rather than money diverted from some other expenditure. To take these factors into account, as in previous studies by the

Williams Institute, we estimate here that same-sex couples spend one-quarter of the amount that different-sex couples spend on wedding arrangements.⁷ Accordingly, we assume that same-sex couples will have spent just over \$6,350 per wedding. Using this figure, the calculated total for the estimated 9,501 (1,983) resident couples sums to \$60 (\$13) million in additional wedding spending for the first three years.

Out-of-Town Guests

In 2008, a report based on the Health and Marriage Equality in Massachusetts Survey indicated that Massachusetts same-sex weddings included an average of 16 out-of-town guests.⁸ A Washington State Travel Impact Report lists average per diem expenditures for visitors to the state as \$185 per guest.⁹ This figure includes transportation, lodging, food, shopping and entertainment.

We assume that same-sex couples who are residents of Washington State will have a similar count of 16 out-of-town guests at their ceremonies as indicated in the Massachusetts survey and that each of these guests will spend the average amount spent by Washington tourists for a one day visit, \$185. The total estimate for out-of-town guests for weddings of resident same-sex couples is calculated to be 152,016 (31,728) people, leading to additional tourism expenditures of \$28 (\$6) million.

According to a report on the economic impact of tourism in counties in Washington State, about 33% of total tourism expenses in 2008 were attributed to lodging accommodations.¹⁰ We estimate that about \$9 (\$2) million of the total tourism expenses by the 152,016 (31,728) out-of-state guests will be for lodging accommodations.

Revenue: Sales Tax

State and local governments will directly benefit from this increase in spending through the state sales tax, the range of local sales taxes, and the various taxes for lodging charges such as the Special Hotel/Motel tax, the Convention and Trade Center tax, the Tourism Promotion Area charge and the Transient Rental Income Tax. As indicated in Table 1, we estimate that a decision by Washington to allow same-sex couples to marry would result in approximately \$88 (\$18) million in additional spending on weddings and tourism in the state.

The State of Washington imposes a tax of 6.5% on the sale of most non-lodging services.¹¹ Localities have the opportunity to add additional local sales taxes and additional taxes on lodging accommodations, with voter approval.

The Special Hotel/Motel tax is applied in addition to the 6.5% state sales tax imposed on lodging charges for hotels, motels, rooming

houses, private campgrounds, RV parks, and similar facilities. While the Special Hotel/Motel tax can vary across the state, a rate of 2% is applied in the counties most likely to attract same-sex couples such as Clark, Pierce, Spokane and Snohomish.¹² The city of Seattle and surrounding King County are exceptions in which the Special Hotel/Motel tax can be 1% and an additional Convention and Trade Center tax can be as high as 7%.

According to a report by the Tax Foundation, Washington ranks 4th in the nation for average combined state and local sales tax burdens at 8.79%.¹³ We use this average percentage as the combined state and local tax rate when calculating our figures. The various lodging taxes are in addition to the state and local sales taxes. Using data from Smith Travel Research, we calculate that the average combined sales and lodging tax burden for the entire state in 2010 was 10.2%.¹⁴ When calculating the tax revenue gained from lodging expenses, we parcel out the estimated spending on accommodations and apply this 10.2% combined tax burden.

By applying the various tax percentages to the categories in Table 1, we estimate that the overall spending boost will generate \$8 (\$1.6) million in tax revenue for state and local governments in the first three years same-sex

couples may marry. The results of our calculations are displayed in Table 2.

Although a further breakdown distinguishing state and local tax revenue is difficult to calculate due to the varying combined tax burdens across the cities and counties of Washington, we estimate the various local sales taxes and local lodging-specific taxes will provide an estimated \$2.2(\$.46) million of tax revenue directly to local governments (Table 3).

Out-of-State Couples

The total spending estimates in our report are conservative in that we do not include the out-of-state same-sex couples that may decide to travel to Washington to marry.

A recent Williams Institute study indicates that same-sex couples will travel from out of state to marry if they cannot marry in their home state.¹⁵ This observation is supported by the experiences of states permitting marriage by same-sex couples, such as Connecticut, Vermont and Iowa.¹⁶ For example, of the total number of marriages entered by same-sex couples during the first year following the Iowa Supreme Court decision in *Varnum v. Brien* to open marriage to same-sex couples, 866 couples who married were Iowa residents and 1,233 couples were non-residents. Notably, the top five contributors of non-resident same-sex couples were surrounding states in the

Midwest. Media reports suggest that these out-of-state couples have generated notable tourism and wedding related spending in other states.¹⁷

Washington State is situated in the Pacific Northwest, bordered on the north by Canada, where same-sex couples may marry, and on the east and south by two states that do not allow same-sex couples to marry, Idaho and Oregon. In fact, the nearest U.S. state that offers marriage to same-sex couples is Iowa. As such, it is likely that when Washington opens marriage to same-sex couples, and if it issues licenses to both in-state and out-of-state same-sex couples, the state will become one of several destinations for out-of-state same-sex couples looking for the opportunity to marry within the United States.

According to a Washington State Travel Impact Report, the states that send the most visitors to Washington are Oregon, California, Idaho, Montana and Arizona.¹⁸ Idaho, Montana and Arizona offer no statewide partnership recognition to same-sex couples.¹⁹ These three states have a total of 19,207 same-sex couples, according to U.S. Census 2010 data.²⁰ Although California and Oregon do offer their own domestic partnership status to same-sex couples, a recent Williams Institute report based on government-provided data has shown that same-sex couples prefer marriage over

other forms of partnership recognition, even when the other statuses extend most or all of the rights of marriage under state law.²¹ When accounting for the couples in California and Oregon, the total number of same-sex couples within the five states that send the most visitors to Washington State is 129,133. A sizable impact may occur if even a small percentage of these 129,133 same-sex couples decide to travel to Washington to marry.

Out-of-state couples would generate additional spending on wedding-related goods and services and, most likely, on tourist-related goods and services. Washington State marriage licenses become valid for use on the third day following application, and under no circumstances can the waiting period be waived.²² However, non-resident couples may avoid the extended travel time of remaining in the state during the waiting period by obtaining a marriage license application form from the County Auditor's Office website (or by mail), having their signatures notarized and sending in the application through the mail.^{23,24} The couple can then receive the marriage license by mail or travel to Washington to pick it up after the waiting period, and then have their marriage ceremony performed in Washington State. In both situations, the state's economy and state budget would gain from tourism expenditures by non-resident couples.

Further Impacts

The economic impact of travel and tourism by same-sex couples seeking to marry in Washington is more far reaching than just the effects on state and local sales tax receipts. For example, tourism expenditures are often directly related to employment opportunities in the travel industry. According to a report on the economic impact of tourism in Washington's counties in 2010, travel spending directly supported 143,800 jobs with earnings of \$4.3 billion.²⁵ Thus, we calculate roughly that for every \$29,902 that will be spent by travelers in Washington, one job will be generated. If we use our guest tourism expenditure estimates, we conclude that extending the right to marry to same-sex couples can generate approximately 940 (196) jobs in the travel industry in Washington within the first three years.²⁶

Conclusion

In this study, we have drawn on information regarding marriage spending by same-sex

couples in other states, along with Washington State wedding expenditure and tourism data, to estimate the economic boost if Washington extends the right to marry to same-sex couples. Our calculations indicate that the total spending on wedding arrangements and tourism by same-sex couples and their guests would be about \$57 (\$12) million in the first year alone. We estimate that this economic boost would generate about \$8 (\$1.6) million in tax revenue for the state and various localities.

It is important to note that also allowing out-of-state same-sex couples the opportunity to wed is estimated to result in further economic gains for Washington State businesses, which would translate into additional increased tax revenue for the state and local budgets.

We note that sales taxes only capture the most direct tax effects of increased tourism and wedding expenditures. Businesses and individuals also pay taxes on the new earnings generated by wedding spending, providing a further boost to the state budget.

Table 1. Washington Wedding Spending and Tourism Figures by Resident Same-Sex Couples and their Guests

SPENDING	Year 1	Year 2	Year 3	Total
# of Marriages by Same-Sex Couples	6,081	1,995	1,425	9,501
Wedding Spending	\$38,632,593	\$12,674,235	\$9,053,025	\$60,359,853
Out-of-Town Wedding Guests	97,296	31,920	22,800	152,016
Out-of-Town Guest Spending	\$17,999,760	\$5,905,200	\$4,218,000	\$28,122,960
TOTAL SPENDING- High End	\$56,635,393	\$18,580,433	\$13,266,750	\$88,454,310
# of Possible Domestic Partners marrying without ceremony	4,812	1,579	1,127	7,518
Total Deduction for Possible Domestic Partners marrying without ceremony (including wedding spending and guest spending)	\$44,814,156	\$14,705,227	\$10,495,751	\$70,015,134
TOTAL SPENDING- Low End	\$11,818,197	\$3,874,208	\$2,775,274	\$18,467,679

Table 2. Tax Revenue from Wedding Spending and Tourism by Resident Same-Sex Couples and their Guests

TAX REVENUE	Year 1	Year 2	Year 3	Total
# of Marriages by Same-Sex Couples	6,081	1,995	1,425	9,501
Tax Revenue from Wedding Spending	\$3,395,805	\$1,114,065	\$795,761	\$5,305,631
Out-of-Town Guests	97,296	31,920	22,800	152,016
Out-of-Town Guest Tax Revenue	\$1,697,910	\$557,035	\$397,882	\$2,652,827
TOTAL TAX REVENUE- High End	\$5,093,715	\$1,671,100	\$1,193,643	\$7,958,458
# of Possible Domestic Partners marrying without ceremony	4,812	1,579	1,127	7,518
Total Deduction for Possible Domestic Partners marrying without ceremony (including wedding spending and guest spending)	\$4,030,743	\$1,322,639	\$944,025	\$6,297,407
TOTAL TAX REVENUE- Low End	\$1,062,972	\$348,461	\$249,618	\$1,661,051

Table 3. Tax Revenue by Type of Tax

TAX REVENUE	State Sales Tax (6.5%)	Various Local Sales Taxes (2.29%)²⁷	Various Lodging Taxes (1.41%)²⁸	Total
TOTAL-High End	\$5,751,383	\$2,026,256	\$180,819	\$7,958,458
TOTAL- Low End	\$1,200,399	\$422,910	\$37,740	\$1,661,049

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Endnotes

¹ This number includes Washington State registered domestic partner data from 2007 to 2011. See also Badgett, M.V. Lee & Herman, Jody L. *Patterns of Relationship Recognition by Same-Sex Couples in the United States* (The Williams Institute, 2011), available at <http://williamsinstitute.law.ucla.edu/research/marriage-and-couples-rights/patterns-of-relationship-recognition-by-same-sex-couples-in-the-united-states/>.

² Gates, Gary J. & Cooke, Abigail M., *Washington Census Snapshot: 2010* (The Williams Institute, 2011), available at http://williamsinstitute.law.ucla.edu/wp-content/uploads/Census2010Snapshot_Washington_v2.pdf.

³ This calculation is based upon the most recent data available. Recently collected data reveals that 9,931 same-sex couples married in Massachusetts within three years of the state allowing same-sex couples to marry. Next, we estimate the total number of same-sex couples in Massachusetts. Data from the pre-2008 ACS overcounts the total number of same-sex couples. See also Gates, Gary J. *Same-Sex Spouses and Unmarried Partners In The American Community Survey, 2008* (The Williams Institute, 2008), available at <http://williamsinstitute.law.ucla.edu/wp-content/uploads/Gates-ACS2008FullReport-Sept-2009.pdf>.

Accordingly, we use 2008 ACS data to estimate the total number of same-sex couples in Massachusetts in 2004, or 19,550 couples. This suggests that approximately 51% of couples married over three years.

⁴ Badgett, M.V. Lee & Herman, Jody L. *Patterns of Relationship Recognition by Same-Sex Couples in the United States* (The Williams Institute, 2011).

Notably, some same-sex couples may have already married in other states in the U.S. or other countries, such as Canada. For our calculations, we assume that these couples would fall into the 50% of same-sex couples that would not marry in Washington within the first three years.

⁵ Ibid.

⁶ Ibid.

⁷ Badgett, M.V. Lee & Gates, Gary J. *The Effect of Marriage Equality and Domestic Partnership on Business and the Economy*. (The Williams Institute, 2006), available at <http://williamsinstitute.law.ucla.edu/research/economic-impact-reports/the-effect-of-marriage-equality-and-domestic-partnership-on-business-and-the-economy/>.

⁸ Goldberg, Naomi G., Steinberger, Michael D. & Badgett, M.V. Lee. *The Business Boost from Marriage Equality: Evidence from the Health and Marriage Equality in Massachusetts Survey* (The Williams Institute, 2009), available at <http://williamsinstitute.law.ucla.edu/research/economic-impact-reports/the-business-boost-from-marriage-equality-evidence-from-the-health-and-marriage-equality-in-massachusetts-survey/>.

⁹ State of Washington Department of Commerce. (2011). Washington State Travel Impacts 1991-2010p. Retrieved from http://www.deanrunyan.com/doc_library/WASImp.pdf

¹⁰ State of Washington Department of Commerce. (2011). Washington State County Travel Impacts 1991-2010p. Retrieved from http://www.deanrunyan.com/doc_library/WAColmp.pdf (See also Longwood Travel USA 2008 Visitor Report: Washington State).

¹¹ Washington State Department of Revenue. (2011). Lodging Information Rates and Changes. Retrieved from http://dor.wa.gov/Docs/forms/ExcsTx/Lodging/LodgingFlyer_10_Q4.pdf

¹² Gates, Gary J. & Cooke, Abigail M., *Washington Census Snapshot: 2010* (The Williams Institute, 2011).

¹³ Tax Foundation. (2011). State and Local General Sales Tax Rates. Retrieved from <http://www.taxfoundation.org/taxdata/show/26269.html>

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- ¹⁴ Smith Travel Research. (2010). Smith Travel Report. Retrieved from <http://www.experiencewa.com/industry/Research/Pages/Smith-Travel-Reports.aspx>. Data was compiled for the entire year and an average tax rate was calculated for the state.
- ¹⁵ Badgett, M.V. Lee & Herman, Jody L. *Patterns of Relationship Recognition by Same-Sex Couples in the United States* (The Williams Institute, 2011).
- ¹⁶ Kastanis, Angeliki, Badgett, M.V. Lee & Herman, Jody L., *Estimating the Economic Boost of Marriage Equality in Iowa: Sales Tax* (The Williams Institute, 2011), available at <http://williamsinstitute.law.ucla.edu/research/economic-impact-reports/estimating-the-economic-boost-of-marriage-equality-in-iowa-sales-tax/>.
- ¹⁷ Bly, Laura. (2004, February 26). Localities Cashing in on Same-Sex Marriages. *USA Today*. Retrieved September 6, 2011, from http://www.usatoday.com/travel/news/2004-02-26-same-sex-marriage_x.htm (See also <http://www.businessweek.com/magazine/a-gay-wedding-windfall-for-new-york-10202011.html>)
- ¹⁸ State of Washington Department of Commerce. (2011) Washington State Travel Impacts 1991-2010p. Retrieved from http://www.deanrunyan.com/doc_library/WASImp.pdf
- ¹⁹ A case pending before the Montana Supreme Court seeks broad rights and responsibilities for same-sex partners through a registration system, civil unions or an alternative system other than marriage. *Donaldson v. State of Montana*, Montana Supreme Court Case No. 11-0451.
- ²⁰ Gates, Gary J. & Cooke, Abigail M., *Idaho Census Snapshot: 2010* (The Williams Institute, 2011). (See also *Montana Census Snapshot: 2010* and *Arizona Census Snapshot: 2010*)
- ²¹ Badgett, M.V. Lee & Herman, Jody L., *Patterns of Relationship Recognition by Same-Sex Couples in the United States* (The Williams Institute, 2011).
- ²² Revised Code of Washington(RCW) Code 26.04.180
- ²³ It is not necessary to obtain the marriage license in the same county as where the ceremony will be performed. A marriage license obtained in any Washington county is valid anywhere in the state.
- ²⁴ Revised Code of Washington(RCW) Code 26.04.150
- ²⁵ State of Washington Department of Commerce. (2011). Washington State Travel Impacts 1991-2010p. Retrieved from http://www.deanrunyan.com/doc_library/WASImp.pdf
- ²⁶ These employment figures were generated by using the tourism expenditures for non-resident same-sex couples and the total out-of town guest spending.
- ²⁷ We calculate this tax rate by subtracting the 6.5% state sales tax from the average combined state and local sales tax burden for the State of Washington according to the Tax Foundation. *See footnote 12.*
- ²⁸ We calculate this tax rate by subtracting the 8.79% average combined state and local sales tax burden for the State of Washington according to the Tax Foundation from the 10.2% combined state, local and lodging sales tax rate according to data provided by Smith Travel Research. We then apply the remaining tax rate to the applicable lodging spending figures. *See footnote 13.*