

**DEPARTMENT OF TAXATION
2001 Fiscal Impact Statement**

1. Patron Cranwell (By Request)

3. Committee Senate Finance

4. Title Transient Occupancy Tax: Allow Bedford
County to Increase County Tax Rate

2. Bill Number HB 1761

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would allow any county having a population of no less than 44,000 and no greater than 45,700 to increase its transient occupancy tax to a rate not to exceed five percent of the amount charged for the occupancy of any room or space occupied. The revenues collected from that portion of the tax over the two percent rate must be designated and spent for tourism or tourism initiatives that attract travelers to the locality and generate tourism revenue in the locality.

The effective date of this bill is not specified.

6. Fiscal Impact Estimates are: Tentative. (See Line 8).

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on state revenues. It would, however, result in a revenue gain for those counties having a population of no less than 44,000 and no greater than 45,700, which impose the tax.

Bedford County is the only county that currently satisfies the population criteria of this bill.

Bedford County currently imposes a transient occupancy tax at the rate of two percent. It is estimated that if the tax is imposed at the maximum rate of five percent as allowed in this bill, it would generate additional revenue to Bedford County of \$40,500 in fiscal year 2002 and \$44,200 in fiscal year 2003.

9. Specific agency or political subdivisions affected:

10. Technical amendment necessary: None.

11. Other comments:

Under current law, any county may impose a transient occupancy tax at a maximum rate of two percent, upon the adoption of an ordinance, on hotels, motels, boarding houses, travel campgrounds, and other facilities offering guest rooms. The tax, however, does not apply to rooms rented on a continuous occupancy by the same individual or group for 30 or more continuous days.

Bedford County, with a population of 45,600, is the only county that satisfies the population criteria set forth in this bill. Bedford County currently imposes a transient occupancy tax at the maximum rate allowed of two percent. Under this bill, Bedford County would be authorized to increase its transient occupancy tax to a maximum rate of five percent.

Counties Authorized to Impose Additional Transient Occupancy Tax

Code of Virginia § 58.1-3819 authorizes the counties of Arlington, Augusta, Caroline, Dinwiddie, Franklin, Gloucester, James City, Loudoun, Nelson, Page, Prince William, Rockbridge, Spotsylvania, Stafford, Tazewell, and York to impose a transient occupancy tax at a maximum rate of five percent. The revenues for the portion of the tax over two percent must be spent on tourism and promoting tourism.

The counties of Chesterfield, Hanover, and Henrico may impose an additional transient occupancy tax not to exceed six percent (total maximum rate of eight percent). The revenues from the additional six percent must be used to promote tourism and travel in the Richmond Metropolitan area. Code of Virginia § 58.1-3823.

Pursuant to Code of Virginia 58.1-3820, Arlington County and Roanoke County may impose the tax up to a rate of five percent. Code of Virginia § 58.1-3822 allows Arlington County to impose a ¼% transient occupancy tax effective January 1, 1991 through December 31, 2002. Proceeds collected from the additional ¼% tax must be designated for promoting tourism and business travel.

Other Legislation

Senate Bill 1110 would authorize Mecklenburg County to increase its transient occupancy tax to a rate not to exceed five percent.

cc: Secretary of Finance

Date: 2/5/01/wbs

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