DEPARTMENT OF TAXATION
2001 Fiscal Impact Statement

1. Patron Ruff (By Request)

2. Bill Number SB 1110

House of Origin:

	Introduced
	Substitute
	Engrossed

3. Committee House Finance

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

Second House:

X	**In Committee**
	Substitute
	Enrolled

5. Summary/Purpose:

This bill would allow any county having a population of no less than 29,100 and no greater than 29,300 to impose a transient occupancy tax at a rate not to exceed five percent. 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 for 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 29,100 and no greater than 29,300, which impose the tax.

Mecklenburg County is the only county that currently satisfies the population criteria of this bill. According to the Weldon Cooper Center report on 1999 Tax rates and the Auditor of Public Account "Comparative Report of Local Government Revenues and Expenditures Year Ended June 30, 1999," Mecklenburg County does not currently impose a transient occupancy tax. 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 Mecklenburg County of $434,700 in fiscal year 2002 and $488,500 in fiscal year 2003.

9. **Specific agency or political subdivisions affected:**

Mecklenburg County

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.

Mecklenburg County, with a population of 29,200, is the only county that satisfies the population criteria set forth in this bill. Under this bill, Mecklenburg County would be authorized to impose a transient occupancy tax up 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 from 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

House Bill 1761 would authorize Bedford County to increase its transient occupancy tax to a rate not to exceed five percent.

cc: Secretary of Finance