

**DEPARTMENT OF TAXATION
2002 Fiscal Impact Statement**

1. Patron Almand

3. Committee Senate Finance

4. Title Transient Occupancy Tax: Extends the Sunset
Date on Authority to Impose Tax in
Arlington County

2. Bill Number HB 965

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would extend the sunset on Arlington County's authority to impose a ¼ percent transient occupancy tax to January 1, 2006. The authority is scheduled to expire December 31, 2002.

The effective date of this bill is not specified.

6. No Fiscal Impact. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on state revenues. As a result of this bill, the local revenue derived from the ¼ percent tax on the amount charged for the occupancy of any room or space occupied would continue to be realized through December 31, 2005. The revenue from this additional tax would be designated and spent to promote tourism and business travel in the county.

9. Specific agency or political subdivisions affected:

Arlington County

10. Technical amendment necessary: No.

11. Other comments:

Currently, any county may impose a transient occupancy tax at a maximum rate of two percent (Code of Virginia § 58.1-3819) upon the adoption of an ordinance, on hotels, motels, boarding houses, travel campgrounds, and other facilities offering guest rooms on a continuous basis for less than 30 consecutive days.

Several counties, including Arlington County, are authorized to impose a transient occupancy tax at a maximum rate of five percent. See Code of Virginia § 58.1-3819.

Also, under Code of Virginia § 58.1-3822, any county with a county manager plan of government may impose an additional $\frac{1}{4}$ percent transient occupancy tax. Arlington County is the only county currently authorized to impose this additional tax. In total, Arlington County is authorized and imposes a $5\frac{1}{4}$ percent transient occupancy tax.

Under this bill, Arlington County's authority to impose the additional $\frac{1}{4}$ percent transient occupancy tax would be extended from December 31, 2002, through December 31, 2005. The additional tax is designated and spent to promote tourism and business travel in the county.

The $\frac{1}{4}$ percent transient occupancy tax was enacted by the 1990 General Assembly (Chapter 890) with a sunset date of December 31, 1993. Subsequent legislative action has extended the sunset date three times (1993, 1996, and 1999).

Senate Bill 390 would extend the sunset date on Arlington County's authority to impose $\frac{1}{4}$ percent transient occupancy tax through December 31, 2005.

HB 963, SB 562 and SB 238 would authorize Arlington County to impose an additional two percent transient occupancy tax, contingent upon approval by the Board of Supervisors to construct a county conference center.

c : Secretary of Finance

Date: 01/22/02/dfm
Document : S:\2002\WorkInProgress\OTPwork\HB0965FE161.doc