DEPARTMENT OF TAXATION
2002 Fiscal Impact Statement

1. Patron Ticer

2. Bill Number SB 562

House of Origin:
_____ **Introduced**
_____ **Substitute**
_____ **Engrossed**

3. Committee Passed Senate and House

4. Title Transient Occupancy Tax: Allows Arlington County to Increase Tax Rate

Second House:
_____ **In Committee**
_____ **Substitute**
_X_ **Enrolled**

5. Summary/Purpose:

This bill would authorize any county with the county manager plan of government (Arlington County) to impose an additional transient occupancy tax at a rate not to exceed two percent, provided the county's governing body approves the construction of a county conference center. The revenues generated from the additional tax must be spent solely for the design, construction, debt payment and operation of the conference center.

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 gain of local revenue provided the Arlington County Board of Supervisors approves the construction of a county conference center.

Arlington County is the only county operating under the county manager plan of government and currently imposes a transient occupancy tax of 5.25%. If Arlington County imposes the additional tax at the maximum rate of two percent, it would generate additional local revenue of $4.7 million per year. This estimate takes into account the effects of September 11 on the hotel industry in Arlington County.

9. Specific agency or political subdivisions affected:

Arlington 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.

Under this bill, Arlington County would be authorized to increase its transient occupancy tax by no more than 2% above and beyond the 5.25% it currently imposes, for a maximum rate of 7.25%. The imposition of this additional tax is contingent upon approval by the Arlington Board of Supervisors to construct a county convention center.

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

House Bill 963 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.

House Bill 965 and Senate Bill 390 would extend to January 1, 2006, the sunset date on Arlington County's authority to impose an additional ¼% transient occupancy tax. The authority is due to expire December 31, 2002.

cc : Secretary of Finance