

DEPARTMENT OF TAXATION

2003 Fiscal Impact Statement

1. **Patron** Black

3. **Committee** House Finance

4. **Title** Transient Occupancy Tax; Tourism Promotion

2. **Bill Number** HB 1517

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would clarify the types of tourism promotion expenditures that counties are permitted to make when spending the portion of local transient occupancy tax revenues designated for tourism promotion. This bill would also require all of the affected counties to consult local tourism industry organizations when determining how to spend local transient occupancy tax revenues designated for tourism promotion.

Under current law, any county may impose a transient occupancy tax at a maximum rate of two percent on hotels, motels, boarding houses, travel campgrounds, and other facilities offering guest rooms. Twenty-one counties are authorized to impose a transient occupancy tax at a rate that exceeds two percent. The revenues for the portion of the tax over two percent must be spent on tourism and promoting tourism. State law requires only eight of these counties to consult local tourism industry organizations when spending these revenues.

The effective date of this bill is not specified.

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

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

As this bill would have no effect on the amount of revenue collected from the local transient occupancy taxes, only on how the revenue is spent, there would be no state or local revenue impact associated with this bill.

9. Specific agency or political subdivisions affected:

Any county authorized under Code of Virginia § 58.1-3819 to impose a transient occupancy tax at a maximum rate of five percent.

10. Technical amendment necessary: No.

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.

Currently, seventeen counties are authorized to impose a transient occupancy tax at a maximum rate of five percent under Code of Virginia § 58.1-3819. The revenues for the portion of the tax over two percent must be spent on tourism and promoting tourism. This bill would clarify the types of tourism promotion expenditures that counties are permitted to make when spending the portion of local transient occupancy tax revenues designated for tourism promotion.

State law requires only eight of these counties to consult local tourism industry organizations when spending these revenues. This bill would require all of the affected counties to consult local tourism industry organizations when determining how to spend local transient occupancy tax revenues designated for tourism promotion.

Counties Authorized to Impose Additional Transient Occupancy Tax

Code of Virginia § 58.1-3819 authorizes the counties of Augusta, Bedford, Caroline, Dinwiddie, Franklin, Gloucester, James City, Loudoun, Mecklenburg, Nelson, Page, Prince William, Rockbridge, Spotsylvania, Stafford, Tazewell, and York to impose a transient occupancy tax at a maximum rate of five percent.

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 may impose the tax up to a rate of five percent. Code of Virginia § 58.1-3822 allows Arlington County to impose a ¼ percent transient occupancy tax effective January 1, 1991 through January 1, 2006. Proceeds collected from the additional ¼ percent tax must be designated for promoting tourism and business travel. Arlington County may impose an additional two percent transient occupancy

tax, contingent upon approval by the Board of Supervisors to construct a county conference center.

Pursuant to its charter, Roanoke County may impose a transient occupancy tax not to exceed five percent.

Other Legislation

This bill is similar to SB 794. SB 794, however, also applies to Arlington, Chesterfield, Hanover and Henrico Counties.

SB 722 would authorize King George County to impose a transient occupancy tax at a maximum rate of five percent.

cc : Secretary of Finance

