

**DEPARTMENT OF TAXATION
2002 Fiscal Impact Statement**

1. Patron Reynolds (By Request)

3. Committee House Finance

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

2. Bill Number SB 453

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would authorize Henry County to impose an additional transient occupancy tax at a rate not to exceed five percent. Henry County currently imposes a transient occupancy tax at the rate of 2%. Any revenues generated over the current 2% rate must be spent for promoting tourism, travel or business that generates tourism in the county.

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 for Henry County. Henry County currently imposes a transient occupancy tax at the rate of 2%. If Henry County imposes the additional tax at the maximum rate of 3%, it would generate additional local revenue of approximately \$174,000 per year.

9. Specific agency or political subdivisions affected:

Henry 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, Henry County would be authorized to increase its transient occupancy tax by no more than 3% above and beyond the 2% it currently imposes, for a maximum tax rate of five percent.

This bill also specifies that the additional tax authorized by this bill would apply to travel campgrounds in Henry County.

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 and Senate Bills 238 and 562 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 December 31, 2005, 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.

c : Secretary of Finance

Date: 01/11/02/wbs

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