

**DEPARTMENT OF TAXATION
2003 Fiscal Impact Statement**

1. Patron Chichester

3. Committee Senate Finance

4. Title Transient Occupancy Tax: Authorizes King
George County to Increase Tax Rate

2. Bill Number SB 722

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would authorize any county having a population of no less than 16,750 and no greater than 16,825 to impose an additional transient occupancy tax at a rate not to exceed five percent. Any revenues generated over the current two percent 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: Preliminary (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on state revenue. This bill would result in a gain of local revenue for any affected county that imposes the additional transient occupancy tax authorized by this bill. Currently, King George County is the only county that meets the population criteria set forth in the bill. King George currently imposes a transient occupancy tax at the rate of two percent. Assuming that King George imposes the maximum tax rate of five percent authorized by this bill, it is estimated that this bill would result in an increase in local revenues for King George County of \$54,000 in FY 2004 and \$54,000 in FY 2005.

9. Specific agency or political subdivisions affected:

Any county having a population of no less than 16,750 and no greater than 16,825. Currently, King George County is the only county that meets the population criteria.

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.

Under this bill, King George County would be authorized to increase its transient occupancy tax by no more than three percent above and beyond the two percent it currently imposes, for a maximum tax rate of five percent.

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 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 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

House Bill 1517 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 under Code of Virginia § 58.1-3819. It would also require that these counties consult local tourism industry organizations when determining how to spend local transient occupancy tax revenues designated for tourism promotion.

Senate Bill 794 is similar to HB 1517, but also applies to Arlington, Chesterfield, Hanover and Henrico Counties.

cc : Secretary of Finance

Date: 01/10/03

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