

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

1. Patron John C. Watkins

2. Bill Number SB 367

3. Committee House Finance

House of Origin:

 Introduced

 Substitute

 Engrossed

4. Title Transient Occupancy Tax: Allows
Chesterfield, Henrico, and Hanover Counties
to Impose Additional Tax

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would authorize Chesterfield, Hanover, and Henrico counties to impose an additional transient occupancy tax not to exceed one percent. All revenues generated from this additional tax must be spent for the development and improvement of the Virginia Performing Arts Foundation's facility in Richmond, for promoting the use of the Richmond Centre and promoting tourism in the Richmond metropolitan area.

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. It is unknown the amount of revenue that would be generated from the Virginia Performing Arts Foundation because it is unknown how many, if any, of the localities will impose the additional tax authorized in this bill.

9. Specific agency or political subdivisions affected:

Chesterfield, Henrico and Hanover counties
City of Richmond

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, the counties of Chesterfield, Henrico and Hanover would be authorized to impose an additional transient occupancy tax not to exceed one percent. All revenues generated from the additional tax must be spent for the development and improvement of the Virginia Performing Arts Foundation's facility in Richmond, for promoting the use of the Richmond Centre and promoting tourism in the Richmond metropolitan area. These same localities are already authorized to impose an additional transient occupancy tax of up to 6% to promote other facilities and tourism in the Richmond area.

Counties Authorized to Impose Additional Transient Occupancy Tax

Albemarle, Amherst, Augusta, Bedford, Botetourt, Caroline, Cumberland, Dinwiddie, Franklin, Gloucester, James City, King George, Loudoun, Mecklenburg, Nelson, Page, Prince Edward, Prince William, Pulaski, Rockbridge, Spotsylvania, Stafford, Tazewell, Wythe, and York are authorized 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.

Arlington County and Roanoke County may impose the tax up to a rate of five percent. Arlington County may impose a ¼% transient occupancy tax effective January 1, 1991 through January 1, 2006. Proceeds collected from the additional ¼% must be designated for promoting tourism and business travel.

The counties of Chesterfield, Henrico, and Hanover 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. Arlington County may impose an additional two percent to be used for design, construction, debt payment and operation of a county conference center.

Other Legislation

This bill is identical to House Bill 741.

House Bill 739 would authorize Floyd County to impose a transient occupancy tax at a rate not to exceed five percent, with all revenues over 2% to be used to promote tourism in the county. Floyd County currently does not impose a transient occupancy tax.

House Bill 1001 and Senate Bill 512 authorize Fairfax County to impose an additional two percent transient occupancy tax, revenues to be used to promote tourism and economical development.

Senate Bill 517 authorizes Rockbridge County and the cities of Lexington and Buena Vista to impose an additional 2% transient occupancy tax, the revenues to be used for paying down debt to the Rockbridge Industrial Development Authority.

cc : Secretary of Finance

Date: 2/17/2004 LDF