

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

1. **Patron** R. Creigh Deeds

2. **Bill Number** SB 375

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Transient Occupancy Tax: Allows Nelson
County to Impose the Tax

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill is to authorize Nelson County to impose a transient occupancy tax, not to exceed five percent, and to change the designated use of the revenue. Any revenues generated over 2% must first be spent on design, construction and debt payment for the Nelson County administration and operation facilities. Any excess must be spent for promoting tourism, travel or business that generates tourism in the county. Currently, Nelson County imposes a 2% transient occupancy tax.

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

7. Budget amendment necessary: No.

8. Fiscal implications:

There is no state revenue associated with this bill. There would be an unknown local revenue gain if Nelson County chooses to impose this tax. It is estimated that if the tax is imposed at the maximum additional 3% allowed under this bill, it would generate additional local tax revenue of \$269,000. This estimate is based on the Fiscal Year transient occupancy collections for each locality as reported by the Auditor of Public Accounts.

Nelson County was previously authorized to impose this tax at a rate not to exceed 5%.

9. Specific agency or political subdivisions affected:

Nelson County

10. Technical amendment necessary: Yes. (See explanation on Line 11.)

Since Nelson County is already authorized to impose the tax at a rate not to exceed 5%, the following technical amendment is suggested:

Page 1, Line 43, After: locality.

Strike: It is further provided that in Nelson County such tax shall not exceed the rate of five percent. The

Insert: For Nelson County the

11. Other comments:

Currently, Nelson County is imposing the tax at a 2% rate; however, it is authorized to impose the tax at a rate of 5% because its population, based on the 1990 Census, placed it in the group of localities authorized to impose a 5% tax. To clarify that this bill would change the designation of the revenues only, an amendment is necessary.

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, Nelson County would be authorized to impose a transient occupancy tax of no more than 5%. The revenues collected from that portion of the tax over two percent shall be designated and spent on the design, construction and debt payment of the local government's administrative and operation facilities, including judicial, health and social services facilities, and, thereafter, any excess revenues over two percent shall be designated and spent solely on tourism, marketing of tourism or initiatives that, as determined in consultation with the local tourism industry organizations, attract travelers to the locality and generate tourism revenues in the locality.

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% tax must be designated for promoting tourism and business travel.

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. 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

House Bill 741 authorizes Chesterfield, Hanover, and Henrico Counties to impose an additional transient occupancy tax not to exceed one percent. The revenues must be used to promote tourism in the City of Richmond.

House Bill 1001 authorizes Fairfax County to impose an additional two percent transient occupancy tax. The revenues must be used to promote tourism and economical development.

Senate Bill 367 authorizes an additional one percent transient occupancy tax for any two or more contiguous counties or cities. The revenues must be used to attract convention business to the region.

cc : Secretary of Finance

Date: 1/19/2004 LDF