

# DEPARTMENT OF TAXATION

## 2004 Fiscal Impact Statement

1. **Patron** William C. Mims

2. **Bill Number** SB 512

3. **Committee** Senate Finance

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Transient Occupancy Tax: Allows Fairfax County to Impose Additional Tax

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would authorize Fairfax County to impose an additional two percent transient occupancy tax, provided no less than 25% of the revenue is appropriated to a nonprofit convention and visitors bureau, and no more than 75% of the revenue is appropriated to the Fairfax County Economic Development Authority. Fairfax County currently imposes a 2% transient occupancy tax.

The additional tax would be in effect from July 1, 2004 through June 30, 2008.

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 revenues. The local revenue gain for Fairfax County is unknown because it is unknown if Fairfax County will implement the tax authorized by this bill. Based on historical data with respect to collections from the current transient occupancy tax in Fairfax County, this bill would result in approximately \$6.3 million in additional tax for the first full year.

### 9. **Specific agency or political subdivisions affected:**

Fairfax 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, Fairfax County would be authorized to impose an additional transient occupancy tax not to exceed 2%. Fairfax County currently imposes a 2% transient occupancy tax.

### **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 739 authorizes Floyd County to impose the transient occupancy tax at a rate not to exceed 5%, with any revenue over 2% spent to promote tourism in the county.

House Bill 741 authorizes Chesterfield, Hanover, and Henrico counties to impose an additional transient occupancy tax not to exceed one percent, revenues to 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, revenues to 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, revenues to be used to attract convention business to the region.

Senate Bill 375 authorizes Nelson County to impose a transient occupancy tax not to exceed five percent, with all revenues over 2% to be used to promote tourism.

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