

**DEPARTMENT OF TAXATION
2005 Fiscal Impact Statement**

1. Patron Albert C. Eisenberg

2. Bill Number HB 1857

3. Committee Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. Title Transient Occupancy Tax: Allows Arlington County to Continue to Impose An Additional Transient Occupancy Tax

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. Summary/Purpose:

This bill would authorize Arlington County to continue to impose an additional ¼% transient occupancy tax. This bill would extend the sunset date for three years, from January 1, 2006 to January 1, 2009. Revenues from the additional tax must be spent for promoting tourism, travel or businesses that generate tourism in Arlington County.

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. If Arlington County chooses to continue to impose this tax it would result in a revenue gain to that locality. It is estimated that the additional transient occupancy tax generates \$662,178 annually.

9. Specific agency or political subdivisions affected:

Arlington County

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.

Counties Authorized to Impose Additional Transient Occupancy Tax

Currently, York, Albemarle, Nelson, Mecklenburg, Gloucester, Spotsylvania, Stafford, Loudoun, Bedford, Cumberland, Floyd, King George, and Prince Edward Counties are authorized to impose an additional transient occupancy tax at a rate not to exceed five percent. Any revenues from this tax that exceed two percent must be spent for promoting tourism, travel, or businesses that generate tourism or travel in the county. Additionally, Rockbridge, Caroline, Dinwiddie, Page, Wythe, James City, Franklin, Tazewell, Augusta, and Prince William Counties are authorized to impose a transient occupancy tax at a maximum rate of five percent. The revenues generated from the portion of the tax over two percent must be designated and spent solely for tourism, marketing of tourism, or initiatives that, as determined in consultation with the local tourism industry organization, will attract travelers to the county or generate tourism revenues in the locality.

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.

The counties of James City and York are authorized to impose an additional transient occupancy tax not to exceed \$2 per room per night. The revenues from this additional tax will be used to promote tourism in the Historic Triangle area.

Fairfax County may impose an additional two percent tax on the occupancy of any room. The revenues from this additional tax will be used to promote tourism in the county and to fund a Visitor's and Convention Bureau.

Rockbridge County and the Cities of Lexington and Buena Vista may impose an additional transient occupancy tax at a rate not to exceed two percent. The revenues from this tax will be used to fund the Virginia Horse Center Foundation and the Virginia Equine Center Foundation.

Similar Legislation

Senate Bill 1102 is identical to this bill.

House Bill 1965 would allow Prince George County and Craig County to impose an additional transient occupancy tax at a maximum rate of five percent.

House Bill 2007 would allow Carroll County to impose an additional transient occupancy tax at maximum rate of five percent.

Senate Bill 793 would clarify that the transient occupancy tax applies only to rooms or spaces suitable or intended for dwelling, sleeping or lodging.

cc : Secretary of Finance

Date: 2/28/2005 S.M.
HB1857FER161doc