

DEPARTMENT OF TAXATION 2005 Fiscal Impact Statement

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| <p>1. Patron William C. Wampler, Jr.</p> <p>3. Committee House Finance</p> <p>4. Title Local Tax: Allows Wise, Botetourt, Patrick, Pulaski and Halifax Counties To Impose an Additional Transient Tax, and Montgomery and Washington Counties to Impose a Meals Tax By Local Ordinance</p> | <p>2. Bill Number <u>SB 755</u></p> <p>House of Origin:
 <input type="checkbox"/> Introduced
 <input type="checkbox"/> Substitute
 <input type="checkbox"/> Engrossed</p> <p>Second House:
 <input checked="" type="checkbox"/> In Committee
 <input type="checkbox"/> Substitute
 <input type="checkbox"/> Enrolled</p> |
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5. Summary/Purpose:

This bill would allow Wise and Botetourt Counties to continue to impose an additional transient occupancy tax at a rate not to exceed five percent. Any tax generated over two percent would be used for promoting tourism within the county. Patrick, Pulaski, and Halifax Counties are also authorized to continue to impose an additional transient occupancy tax, at a rate not to exceed five percent. Any revenue generated over two percent must be spent for tourism, marketing of tourism, or initiatives that will attract tourists to the locality and generate tourism revenues in the county

In addition, this bill would include Washington County in the list of counties authorized to impose a local food and beverage tax at a rate not to exceed four percent by adoption of a local ordinance, rather than referendum vote. Montgomery County would also be authorized to continue to impose a local food and beverage tax a rate not to exceed four percent by adoption of a local ordinance, rather than referendum vote.

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 an impact on local revenues in Wise, Botetourt, Patrick, Pulaski, and Halifax Counties, as it would allow these counties to continue to impose an additional transient occupancy tax, at a rate not to exceed five percent. Any revenues generated over two percent must be spent for promoting tourism in the county.

The revenue impact in Montgomery County would be positive as it would allow them to continue to impose their existing local meals tax. The impact on Washington County is uncertain because it is not known whether this county would impose a local food and beverage tax and at what rate it would impose the tax.

9. Specific agency or political subdivisions affected:

Montgomery, Washington, Wise, Botetourt, Patrick, Pulaski, and Halifax Counties

10. Technical amendment necessary: No.

11. Other comments:

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.

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.

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.

Counties Authorized to Impose a Meals Tax Without a Referendum Vote

Under current law, any county may impose a food and beverage tax at a maximum rate of up to four percent, provided the food and beverage tax is approved by referendum vote within the locality, and initiated either by a resolution of the board of supervisors for the county or the filing of a petition signed by at least ten percent of the registered voters within the locality. Only Roanoke, Montgomery, Rockbridge, Frederick, and Arlington Counties are exempt from this requirement. These counties are allowed to impose a food and beverage tax not to exceed four percent as long as the governing body of the county has held a public hearing on the matter and the governing body votes unanimously to impose the food and beverage tax. This bill would include Washington Counties in this group of localities.

Clarification of 2004 Technical Changes

In 2004, Senate Bill 684 (Chapter 610) replaced indirect references (population brackets) to counties with the names of the counties for the transient occupancy tax and the local meals tax. This bill would add the counties that had grown into population brackets before the technical changes became effective, and are imposing the tax. This bill would retroactively ratify to July 1, 2004, any transient occupancy tax in excess of two percent, which was lawfully imposed by any county prior to and on and after July 1, 2004. It would also retroactively ratify to July 1, 2004 any local meals tax lawfully being imposed on and after July 1, 2004.

Similar Legislation

House Bill 1857 and **Senate Bill 1102** would extend the expiration date of the additional ¼% transient occupancy tax in Arlington County to January 1, 2009.

House Bill 1965 would allow Prince George 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 a rate not to exceed five percent.

Senate Bill 720 would add Giles County to the counties authorized to impose a local meals tax not to exceed four percent by adoption of a local ordinance, rather than after a referendum vote.

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

cc : Secretary of Finance

Date: 2/9/2005 SM
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