

**DEPARTMENT OF TAXATION
2006 Fiscal Impact Statement**

1. **Patron** Ward L. Armstrong
3. **Committee** Senate Finance
4. **Title** Local Tourism Zones

2. **Bill Number** HB 518
House of Origin:
 Introduced
 Substitute
 Engrossed
- Second House:**
 X **In Committee**
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would authorize any locality to establish, by ordinance, one or more tourism zones. Localities would be authorized to provide tax incentives and regulatory flexibility within tourism zones for up to ten years.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

7. **Budget amendment necessary:** No.

8. Fiscal implications:

This bill would have no impact on state revenues. The impact on local revenue is unknown because localities may or may not adopt local tourism zones.

9. Specific agency or political subdivisions affected:

All localities.

10. **Technical amendment necessary:** No.

11. Other comments:

Background

Under current law, any locality may currently establish one or more technology zones for up to ten years. Localities may grant tax incentives and provide certain regulatory flexibility in a technology zone. The establishment of a technology zone does not disqualify the area from also being designated as an enterprise zone.

Localities are authorized to establish a local enterprise zone development taxation program that allows a specified percentage of real estate and machinery and tools tax

revenue resulting from the incremental increase in the assessed value of real estate and machinery and tools located within an enterprise zone or technology zone to be allocated to the "Local Enterprise Zone Development Fund." This fund is used for grants aimed at attracting businesses to an enterprise zone or enhancing governmental services within an enterprise zone.

Proposed Legislation

This bill would authorize any locality to establish, by ordinance, one or more tourism zones. Localities would be authorized to provide tax incentives within tourism zones for up to ten years including, but not be limited to, 1) reduction of permit fees, 2) reduction of user fees and 3) reduction of any type of gross receipts tax. Localities would also be authorized to provide regulatory flexibility within tourism zones for up to ten years including, but not be limited to 1) special zoning, 2) permit process reform, 3) exemption from ordinances, excluding ordinances adopted pursuant to the requirements of the Chesapeake Bay Preservation Act, the Erosion and Sediment Control Law or the Virginia Stormwater Management Act, and 4) any other incentive. The establishment of a tourism zone would not preclude the area from also being designated by the state as an enterprise zone.

cc : Secretary of Finance

Date: 02/14/2006 JEM