DEPARTMENT OF TAXATION
2006 Fiscal Impact Statement

1. Patron Thomas K. Norment, Jr.

3. Committee Senate Finance

4. Title Transient Occupancy Tax; Allows Counties of James City and York to Continue to Impose an Additional Transient Occupancy.

2. Bill Number SB 468

House of Origin:

_____ **Introduced**

_____ **Substitute**

_____ **Engrossed**

Second House:

__X__ **In Committee**

_____ **Substitute**

_____ **Enrolled**

5. Summary/Purpose:

This bill would authorize James City County and York County to continue to impose an additional transient occupancy tax not to exceed $2 per room per night for the occupancy of any overnight guest room by eliminating the current sunset date of January 1, 2008. Revenues from the additional tax must continue to be spent for advertising the Historic Triangle area, which includes all of the City of Williamsburg and the Counties of James City and York as an overnight tourism destination.

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 James City County and York County choose to continue to impose this tax, this bill would prevent the revenue loss from the expiration of the authority to impose the tax.

9. Specific agency or political subdivisions affected:

Counties of James City and York

10. Technical amendment necessary: No.

11. Other comments:

Generally

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

Albemarle County, Bedford County, Botetourt County, Cumberland County, Floyd County, Gloucester County, King George County, Loudon County, Mecklenburg County, Nelson County, Prince Edward County, Spotsylvania County, Stafford County, Wise County, and York County 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 promoting tourism, travel or business that generates tourism or travel in the locality.

Augusta County, Caroline County, Carroll County, Craig County, Dinwiddie County, Franklin County, Halifax County, James City County, Page County, Patrick County, Prince George County, Prince William County, Pulaski County, Rockbridge County, Tazewell County, and Wythe County are also 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 designated and spent solely for tourism, marketing of tourism or initiatives as determined in consideration with the local tourism organizations that attract travelers to the locality and generate tourism revenues in the locality. If there are no local tourism industry organizations in the locality, the governing body shall hold a public hearing prior to making any determination relating to how to attract travelers to the locality and 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.

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.

This Proposal

In addition to eliminating the sunset date regarding the authority to impose this tax, this bill would add the Williamsburg Area Convention and Visitors Bureau as an additional organization permitted to use the revenue from the additional tax solely for advertising the Historic Triangle Area. This bill would also change the structure of the Williamsburg Area Destination and Marketing Committee by replacing the member with the status of Executive Director of the Virginia Tourism Authority with the member whose status is President and Chief Executive Officer of the Virginia Tourism Authority.

Similar legislation

House Bill 1323 and Senate Bill 463 are identical. Each would add Montgomery County to the list of localities that are authorized to impose a transient occupancy tax at a rate of up to five percent. Currently, Montgomery County may only impose a transient occupancy tax at a rate of up to two percent. Under this proposal, any revenue generated over two percent must be designated and spent solely for promoting tourism, travel, or businesses that generate tourism in the county.

House Bill 779 would raise the maximum amount of transient occupancy tax that Nelson County may charge for the rental of condominiums, apartments, townhouse, or similar buildings from 2% to 5%. This bill would also decrease the maximum amount of transient occupancy tax that Franklin County may charge for such rentals. Currently, Franklin County imposes a 5% transient occupancy tax, while Nelson County currently imposes a 2% transient occupancy tax.

Senate Bill 86 would limit the imposition of the transient occupancy tax imposed by cities and towns to charges for rooms or spaces occupied by transients that are intended or suitable for dwelling, sleeping, or lodging purposes. The tax would not apply to charges for rooms rented for alternative purposes, such as banquet rooms and meeting rooms. The 2005 General Assembly passed a substantially similar restriction for county transient occupancy taxes.

cc : Secretary of Finance