

Commission on Local Government

Estimate of Local Fiscal Impact
2006 General Assembly Session

Bill: SB 86

Patron: Sen. Watkins

Date: January 26, 2006

In accordance with the provisions of §§ 30–19.03 through 30–19.03:1.1 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced bill:

I. Bill Summary

SB 86 clarifies that cities and towns may not levy a transient occupancy tax on rooms or spaces, such as banquet facilities, that are not rented for dwelling, lodging, or sleeping purposes. This legislation is similar to a bill enacted by the 2005 General Assembly (SB 793) that prohibited counties from applying their transient occupancy tax to banquet or meeting room facilities. Further, SB 86 attempts to extend to cities and towns the substance of an Opinion of the Attorney General (04-063, September 7, 2004) that concluded counties could not under the existing statute “levy a lodging tax on the amount a hotel charges transients for the rental of banquet facilities to accommodate events of a limited duration.”

II. Fiscal Impact Analysis

Although the Commission on Local Government did not specifically request estimates of potential fiscal impact from localities concerning SB 86, the Cities of Lynchburg and Winchester reported that the bill would not result in a net reduction of local revenue. Rappahannock County, however, indicated that SB 86 would impose a net revenue reduction of less than \$5,000.

According to a survey conducted in 2005 by the Weldon Cooper Center for Public Service at the University of Virginia, 36 of 39 cities and 62 of 190 towns were reported using the transient occupancy tax. In FY 2004, according to the Auditor of Public Accounts, cities collected a total of \$61.4 million from local hotel and motel taxes, while the revenue to towns from transient occupancy taxes during that same period was \$6.4 million. It is likely that only a small portion of this collection derived from applying the levy to spaces not used for sleeping, lodging or dwelling. Thus, SB 86 would affect the relatively few localities that currently levy the transient occupancy tax in the manner to be prohibited.

III. Conclusion

Although the fiscal impact of SB 86 on localities will vary depending on the application of the local transient occupancy tax, overall the indication is that there is likely to be little or no net revenue loss.