

**DEPARTMENT OF TAXATION
2006 Fiscal Impact Statement**

1. Patron John C. Watkins

2. Bill Number SB 86

3. Committee Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. Title Local Transient Occupancy Tax;
Cities and Towns

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. Summary/Purpose:

This bill 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 effective date of this bill is not specified.

6. Fiscal Impact Estimates are: Unknown. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on state revenues and would have a potential negative impact on any city or town that currently imposes a transient occupancy tax on charges for rooms or spaces that are not intended to be occupied for dwelling, sleeping, or lodging purposes.

9. Specific agency or political subdivisions affected:

Cities and towns that impose a transient occupancy tax.

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. Cities and towns are also authorized to impose a transient occupancy tax at the same maximum rate. 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. In 2005, the General Assembly

passed legislation which limited the imposition of the transient occupancy tax, as it applied to counties, to charges for rooms or spaces occupied by transients, intended or suitable for sleeping, dwelling, or lodging purposes (Chapter 20, 2005 Acts of Assembly). This bill would limit the imposition of the transient occupancy tax as it applies to cities and towns, to charges for rooms or spaces occupied by transients, intended or suitable for sleeping, dwelling, or lodging purposes.

This bill would effectively prohibit the imposition of a city or town's transient occupancy tax on the charge for rooms or space rented for meetings, conferences, and purposes other than sleeping, dwelling or lodging. This bill would bring the transient occupancy tax imposed upon cities and towns in conformity with that imposed upon counties.

cc : Secretary of Finance

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