

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Frank M. Ruff

2. **Bill Number** SB 811

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** House Finance

4. **Title** Transient Occupancy Tax; Allows Amherst
County to Increase its Tax Rate

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would add Amherst County to the list of localities that are authorized to impose a transient occupancy tax at a rate of up to five percent. Under this proposal, any revenue generated 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 organizations, 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 would need to 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.

Under current law, Amherst County may impose a transient occupancy tax at a rate of up to two percent.

The effective date of this bill is not specified.

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

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

8. **Fiscal implications:**

This bill would have no impact on state revenues. If Amherst County chooses to impose this tax, it would result in a revenue gain to that locality. Currently, Amherst County imposes a two percent transient occupancy tax. The APA Comparative Report of Local Government reports that \$25,143 in transient occupancy taxes was collected in FY 2005 in Amherst County. If the highest rate authorized by this bill had been in effect in FY 2005, Amherst County would have collected an additional \$37,715. Based on estimated growth, if Amherst County imposes the tax at the maximum rate, the estimated revenue gain for Amherst County would be \$39,000 in FY 2008, \$44,000 in FY 2009, \$46,000 in FY 2010, \$48,000 in FY 2011, \$50,000 in FY 2012, and \$52,000 in FY 2013.

9. Specific agency or political subdivisions affected:

Amherst County

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, Montgomery 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 that attract travelers to the locality and generate tourism revenues in the locality.

Arlington County may impose a one-quarter percent transient occupancy tax effective January 1, 1991 through January 1, 2009. Proceeds collected from the additional one-quarter percent 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 four percent. The revenues from the additional four percent must be used to promote tourism and travel in the Richmond Metropolitan area. These localities may also impose an additional transient occupancy tax not to exceed two percent, the revenues from which must be used for the expansion of the Richmond Centre. These localities are also authorized to impose an additional transient occupancy tax not to exceed one percent. The revenues from the additional one percent tax must be used for the development and improvement of the Virginia Performing Arts Foundation's facilities in Richmond, for promoting the use of the Richmond Centre, and for promoting 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.

Franklin County may impose a transient occupancy tax on certain rentals, such as condominiums, apartments, and townhouses, at a rate not to exceed two percent.

Nelson County may impose a transient occupancy tax on certain rentals, such as condominiums, apartments, and townhouses, at a rate not to exceed five percent. The revenues for the portion of the tax over two percent must be designated for promoting tourism, travel, or business that generates tourism or travel in the locality.

Proposal

This bill would authorize Amherst County to impose a transient occupancy tax of no more than five percent. Any revenue generated 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 organizations, 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 would need to 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.

Other Legislation

House Bill 1714 and **Senate Bill 904** (identical) would authorize Northampton County to impose a transient occupancy tax at a rate of up to five percent with the revenue generated over two percent must be designated and spent solely for tourism, marketing of tourism or initiatives that attract travelers to the locality and generate tourism revenues in the locality.

Senate Bill 854 would authorize Charles City County to impose a transient occupancy tax at a rate of up to five percent with the revenue generated over two percent must be designated and spent solely for promoting tourism, travel or businesses that generates tourism or travel in the county.

cc : Secretary of Finance

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