

**DEPARTMENT OF TAXATION
2008 Fiscal Impact Statement**

1. Patron David A. Nutter

2. Bill Number HB 1453

3. Committee House Finance

House of Origin:

☐ **Introduced**

☐ **Substitute**

☐ **Engrossed**

4. Title Transient Occupancy Tax; Tourism Requirement

Second House:

☐ **In Committee**

☐ **Substitute**

☐ **Enrolled**

5. Summary/Purpose:

This bill would require the Counties of Albemarle, Bedford, Botetourt, Cumberland, Floyd, Gloucester, King George, Loudon, Mecklenberg, Nelson, Prince Edward, Spotsylvania, Stafford, Wise, and York to designate and spend the revenues generated by any portion of their local transient occupancy tax that exceeds two percent 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 generates tourism revenues in the locality. If there are no local tourism industry organizations in the locality, the governing body would be required to hold a public hearing prior to making any determination relating to attracting travelers to the locality and generating tourism revenues in the locality.

Currently, these counties must spend the revenues generated by any portion of the transient occupancy tax that exceeds two percent on promoting tourism, travel or business that generates tourism or travel in the locality. However, these localities are not currently required to consult with local tourism industry organizations.

The effective date of this bill is not specified.

6. No Fiscal Impact. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on state or local revenues. The counties may incur administrative expenses associated with consulting the local tourism industry organizations or holding a public hearing prior to making any determination if no such organizations exist.

9. Specific agency or political subdivisions affected:

The counties of Albemarle, Bedford, Botetourt, Cumberland, Floyd, Gloucester, King George, Loudon, Mecklenberg, Nelson, Prince Edward, Spotsylvania, Stafford, Wise, 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. The tax applies to rooms intended or suitable for dwelling and sleeping. Therefore, the tax does not apply to such rooms used for alternative purposes, such as banquet rooms and meeting rooms.

Counties Authorized to Impose Transient Occupancy Tax at a Higher Rate

Albemarle County, Bedford County, Botetourt County, Cumberland County, Floyd County, Gloucester County, King George County, Loudon County, Mecklenberg 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.

Amherst County, Augusta County, Caroline County, Carroll County, Craig County, Dinwiddie County, Franklin County, Halifax County, James City County, Montgomery County, Northampton 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, 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 must 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.

Counties Authorized to Impose Additional Transient Occupancy Taxes

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 require the counties of Albemarle, Bedford, Botetourt, Cumberland, Floyd, Gloucester, King George, Loudon, Mecklenberg, Nelson, Prince Edward, Spotsylvania, Stafford, Wise, and York to designate and spend the revenues for the portion of the transient occupancy tax over two percent 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 must 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.

Similar Bills

House Bill 787 and **Senate Bill 462** (Identical) would extend the sunset date from January 1, 2009 to January 1, 2012, for Arlington County to impose an additional transient occupancy tax at a maximum rate of one-fourth of one percent of the amount charged for the occupancy of any room or space occupied.

House Bill 1350 and **Senate Bill 603** would remove the definition of the term “transient lodgings” from the charter for the City of Williamsburg.

cc : Secretary of Finance

Date: 1/18/2008
HB1453F161