

DEPARTMENT OF TAXATION

2008 Fiscal Impact Statement

1. **Patron** Robert H. Brink

2. **Bill Number** HB 787

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** Passed House and Senate

4. **Title** Transient Occupancy Tax; Extends Sunset
Date for Arlington County

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill 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.

Under current law, Arlington County is authorized to impose an additional transient occupancy tax not to exceed one-fourth of one percent. This authorization will expire on January 1, 2009. The revenues collected from the additional tax are to be designated and spent in promoting tourism and business travel in the county.

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 Arlington chooses to continue to impose this tax, this bill would result in revenues of approximately \$413,000 in Fiscal Year 2009, \$1,032,000 in Fiscal Year 2010, \$1,074,000 in Fiscal Year 2011, and \$652,000 in Fiscal Year 2012.

9. **Specific agency or political subdivisions affected:**

Arlington 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. 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, 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.

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 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.

Transient Occupancy Taxes in Arlington County

In 1977, the General Assembly enacted legislation which authorized Arlington County to impose the transient occupancy tax at a rate not to exceed 5%. In addition to this transient occupancy tax, beginning January 1, 1991, Arlington County was granted authorization to impose an additional transient occupancy tax, limited to one-fourth of one percent of the amount of the charge for the occupancy of any room or space occupied. The revenues collected from this additional tax are to be designated for promoting tourism and business travel in the county. The authority to impose the additional transient occupancy tax will expire on January 1, 2009.

Proposal

This bill would extend the sunset date for Arlington County's additional transient occupancy tax of one-fourth of one percent from January 1, 2009 to January 1, 2012.

Similar Legislation

Senate Bill 462 is identical to this bill.

cc : Secretary of Finance

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