

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** John C. Watkins

2. **Bill Number** SB 1176

3. **Committee** House Finance

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Transient Occupancy Tax; Consultation with
Lodging Industry

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. **Summary/Purpose:**

This bill would specifically require any locality authorized to increase its transient occupancy tax to five percent to consult with representatives of local lodging properties when the locality consults with local tourism industry organizations in order to determine which tourism related expenditures should be made using the revenue gained from imposing the additional transient occupancy tax. Additionally, this bill would specifically include the goal of increasing occupancy at lodging properties as a purpose for which such revenues must be designated and spent. The bill would also deem the counties of James City and York in compliance with each of these requirements, provided they have enacted an additional transient occupancy tax, the revenues of which are expended solely for advertising the Historic Triangle area as an overnight tourism destination pursuant to Va. Code § 58.1-3823(C).

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. In addition, Virginia law separately identifies several counties that 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 designated and spent solely for tourism, marketing of tourism, or initiatives that, as determined after consultation with the local tourism industry organizations, attract travelers to the locality and generate tourism revenues in the locality.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

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

8. **Fiscal implications:**

This bill would have no impact on state or local revenues.

9. Specific agency or political subdivisions affected:

James City County

York County

All other localities authorized to impose transient occupancy tax at a maximum rate of five percent;

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 basis 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

The following counties are authorized to impose a transient occupancy tax at a maximum rate of five percent: Albemarle County, Amherst County, Augusta County, Bedford County, Botetourt County, Caroline County, Carroll County, Craig County, Cumberland County, Dinwiddie County, Floyd County, Franklin County, Gloucester County, Halifax County, James City County, King George County, Loudoun County, Mecklenburg County, Montgomery County, Nelson County, Northampton County, Page County, Patrick County, Prince Edward County, Prince George County, Prince William County, Pulaski County, Rockbridge County, Spotsylvania County, Stafford County, Tazewell County, Wise County, Wythe County and York County.

The revenue gained from imposing the additional transient occupancy tax must be used for tourism and travel, marketing of tourism and other initiatives that attract travelers to the locality and generate tourism revenues. The county must consult with local tourism organizations in order to determine which initiatives attract travelers and generate tourism revenues.

James City County and York County

In addition to the rate increases set forth above, James City County and York County are also authorized to impose an additional transient occupancy tax at a maximum rate of \$2 per room per night pursuant to Va. Code § 58.1-3823(C). The revenues collected from the additional tax must be spent solely for advertising the Historic Triangle (which includes all of the City of Williamsburg and the Counties of James City and York) area as an

overnight tourism destination. Currently, both counties impose this additional transient occupancy tax.

Proposal

This bill would specifically require any locality authorized to increase its transient occupancy tax to five percent to consult with representatives of local lodging properties when the locality consults with local tourism industry organizations in order to determine which tourism related expenditures should be made using the revenue gained from imposing the additional transient occupancy tax. Additionally, this bill would specifically include the goal of increasing occupancy at lodging properties as a purpose for which such revenues must be designated and spent. The counties of James City and York would be deemed to have met these requirements because both counties have enacted an additional transient occupancy tax, the revenues of which are expended solely for advertising the Historic Triangle area as an overnight tourism destination pursuant to Va. Code § 58.1-3823(C).

The effective date of this bill is not specified.

Other Legislation

House Bill 2502 would require that authorized counties, in levying a transient occupancy tax greater than two percent, must consult with representatives of lodging properties within the county.

Senate Bill 858 and **House Bill 1917** would add Giles County to the list of counties currently authorized to impose a transient occupancy tax at a maximum rate of five percent of the charge for the occupancy of any room or space.

House Bill 1947 would authorize Bath County to impose an additional transient occupancy tax at a maximum rate of two percent of the charge for the occupancy of any room or space. The revenues from the additional tax would be allocated equally between: 1) tourism, travel, and marketing of tourism, after consultation with local tourism industry organizations; and 2) costs incurred related to design, construction, and acquisition of tourism facilities, historic sites, beautification projects, and similar projects.

House Bill 2316 would add Smyth County to the list of counties currently authorized to impose a transient occupancy tax at a maximum rate of five percent of the charge for the occupancy of any room or space.

Senate Bill 1025 would add Greene County to the list of localities currently authorized to impose a transient occupancy tax at a maximum rate of five percent of the charge for the occupancy of any room or space.

Senate Bill 1029 would add single-family residences to the list of facilities on which any county may levy a transient occupancy tax.

cc : Secretary of Finance

Date: 2/6/2009 KP

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