

DEPARTMENT OF TAXATION

2010 Fiscal Impact Statement

1. **Patron** James M. Shuler

2. **Bill Number** HB 370

House of Origin:

☐ **Introduced**

☐ **Substitute**

☐ **Engrossed**

3. **Committee** Passed by House and Senate

4. **Title** Transient Occupancy Tax; Alleghany County
May Impose Additional Rate

Second House:

☐ **In Committee**

☐ **Substitute**

☒ **Enrolled**

5. **Summary/Purpose:**

This bill would add Alleghany County to the list of localities that are currently authorized to impose a transient occupancy tax at a maximum rate of five percent. Revenues from the portion of the tax in excess of two percent would be required to be used solely for tourism or marketing of tourism.

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 these 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 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 revenues. Currently, Alleghany County levies a two percent tax on the amount charged to its lodging customers. This bill would allow Alleghany County to impose a transient occupancy tax of up to five percent. As it is unknown whether Alleghany County will exercise the authority granted by this bill to increase the rate of its transient occupancy tax, the impact of this bill on local revenues is unknown. If Alleghany County exercises the authority granted by this bill and imposes the tax at the maximum rate, the estimated revenue gain for Alleghany County would be \$116,000 in Fiscal Year 2011, \$131,000 in Fiscal Year 2012, \$136,000 in Fiscal Year 2013, \$142,000 in Fiscal Year 2014, \$148,000 in Fiscal Year 2015 and \$154,000 in Fiscal Year 2016.

9. Specific agency or political subdivisions affected:

Alleghany 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 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, Giles County, Gloucester County, Greene 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, Smyth County, Spotsylvania County, Stafford County, Tazewell County, Wise County, Wythe County and York County. The revenues for the portion of the tax over two percent must be spent on promoting tourism and travel, and 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

Beginning January 1, 1991 and ending January 1, 2012, Arlington County is authorized to impose an additional transient occupancy tax at a maximum rate of one-fourth of one percent of the amount of the charge for the occupancy of any room or space occupied, the revenues from which must be spent on promoting tourism and business travel in the county.

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.

Bath County may impose an additional transient occupancy tax at a rate not to exceed two percent. One-half of the revenue from the tax must be designated and spent solely for tourism and travel. The remaining half must be designated and spent solely for the design, operation, construction, improvement, acquisition and debt of tourism facilities, historic sites, beautification projects, promotion of the arts, regional tourism marketing efforts, capital costs related to travel and transportation, public parks and recreation, and information centers.

In addition, any county with the county manager plan of government is authorized to impose an additional transient occupancy tax at a maximum rate of two percent, provided the county's governing body approves the construction of a county conference center. The revenues collected from this additional tax must be spent for the design, construction, debt payment, and operation of the conference center.

Proposal

This bill would add Alleghany County to the list of localities that are currently authorized to impose a transient occupancy tax at a maximum rate of five percent. Revenues from the portion of the tax in excess of two percent would be required to be used solely for tourism or marketing of tourism.

The effective date of this bill is not specified.

Similar Legislation

House Bill 972 and **Senate Bill 218** (identical) would provide that any additional transient occupancy tax or any increase in the rate of an existing transient occupancy tax imposed on or after July 1, 2010 in Fairfax County does not apply within the limits of any town located in Fairfax County, unless the governing body of the town consents.

Senate Bill 342 would authorize any county, by ordinance, to levy a transient occupancy tax on single-family residences rented out for continuous occupancy for fewer than 30 consecutive days. The provisions of this bill would apply to developers of time shares and any other person who offers guest rooms or time shares for fewer than thirty consecutive days.

Senate Bill 452 would expand the application of the Retail Sales and Use Tax regarding hotels, motels, and other accommodations to authorize the imposition of the tax on the price mark-up and other charges and fees imposed by a third party intermediary, and would outline the procedures for payment of the applicable taxes on these charges.

cc : Secretary of Finance

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