

Commission on Local Government

REVISED

Estimate of Local Fiscal Impact
2010 General Assembly Session

Bill: SB 355 Patron: Obenshain Date: February 2, 2010

In accordance with the provisions of §30-19.03 – 30-19.03:1.1 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

I. Bill Summary

SB 355 provides that short-term rental property is a classification of merchants' capital and for local property taxation purposes shall be subject to the merchants' capital tax or the short-term rental property tax, but not both. The bill also prohibits a locality from levying both a short-term rental property tax and a business, professional and occupational license (BPOL) tax on the gross proceeds arising from rentals by merchants engaged in the short-term rental business.

II. Fiscal Impact Analysis

The Commission on Local Government received fiscal impact statements from 19 localities – the Counties of Albemarle, Arlington, Augusta, Campbell, Fairfax, Fauquier, Henrico, New Kent, Pulaski, Rappahannock, Roanoke, Rockingham and Spotsylvania; the Cities of Chesapeake, Danville, Lynchburg, Roanoke and Winchester; and the Town of Blacksburg.

Nine localities – the Counties of Arlington, Campbell, New Kent, Pulaski, Rappahannock, Rockingham and Roanoke, the City of Lynchburg and the Town of Blacksburg – reported that they do not anticipate a reduction in revenue as a result of SB 355 and most of them indicated that is because the locality does not levy the applicable revenue instruments. One locality – Augusta County – estimated that the county would experience a net reduction of revenue of less than \$5,000.

Nine localities – the Counties of Albemarle, Fairfax, Fauquier, Henrico and Spotsylvania and the Cities of Chesapeake, Danville, Roanoke and Winchester – estimated that they would experience a net reduction of revenue of \$5,000 or more. In most instances, their estimates were based on the amount of short-term rental property tax revenues collected in FY09. These estimates ranged from \$5,749 to \$210,000 in total first year reduction in revenues as a result of SB 355 as follows:

Spotsylvania County	\$ 5,749
Winchester City	\$ 9,566
Fauquier County	\$ 15,000

Danville City	\$ 18,500
Albemarle County	\$ 31,739
Roanoke City	\$ 42,561
Chesapeake City	\$ 86,000
Fairfax County	\$ 108,000
Henrico County	\$ 210,000

III. Conclusion

SB 355 will result in a reduction of revenue for the localities in Virginia that currently impose both the short-term rental property tax and the business, professional, and occupational license (BPOL) tax. The fiscal impact of the bill will vary considerably from locality to locality depending on the number of businesses engaged in the short-term rental business that are located within the jurisdiction and the gross proceeds arising from their rentals.