

# DEPARTMENT OF TAXATION

## 2012 Fiscal Impact Statement

1. **Patron** John S. Edwards

2. **Bill Number** SB 103

3. **Committee** House Finance

**House of Origin:**

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Transient Occupancy Tax; Authorizes  
Roanoke County to Increase Rate to Seven  
Percent

**Second House:**

☒ In Committee

☐ Substitute

☐ Enrolled

### 5. **Summary/Purpose:**

This bill would authorize Roanoke County to increase its transient occupancy tax rate to a maximum rate of seven percent. Revenues from the portion of tax in excess of five percent would be designated solely to advertising the Roanoke metropolitan area as an overnight tourist destination.

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 those counties that are authorized to impose a transient occupancy tax at a maximum rate of five percent. Roanoke County currently imposes a five percent transient occupancy tax.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

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

### 8. **Fiscal implications:**

This bill would have no impact on state revenues. Pursuant to its charter, Roanoke County currently levies a five percent tax on the amount charged to lodging customers, which resulted in \$749,047 in transient occupancy tax revenue for Roanoke County in Fiscal Year 2010. This bill would authorize Roanoke County to impose a transient occupancy tax at a maximum rate of seven percent. As it is unknown whether Roanoke County will exercise the authority granted by this bill to increase the rate of its transient occupancy tax, the impact of this bill on Roanoke County revenue is unknown. If Roanoke County exercises the authority granted by this bill and imposes the tax at the maximum rate, the estimated revenue gain for Roanoke County would be \$310,000 in Fiscal Year 2013, \$350,000 in Fiscal Year 2014, \$360,000 in Fiscal Year 2015, \$370,000 in Fiscal Year 2017, and \$400,000 in Fiscal Year 2018.

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

Roanoke 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: Accomack County, Albemarle County, Allegheny County, Amherst County, Augusta County, Bedford County, Botetourt County, Brunswick 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, Madison 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, Washington 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. Any additional tax imposed in Fairfax County does not apply within the limits of any town located in Fairfax County unless the governing body of the town consents.

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.

### Roanoke County

Roanoke County is granted the authority to impose a transient occupancy tax at a maximum rate of five percent pursuant to its charter, which was enacted by statute in 1986. The statute was amended in 1993 to increase the maximum rate of tax from two percent to five percent.

## Proposal

This bill would authorize Roanoke County to increase its transient occupancy tax rate to a maximum rate of seven percent. Revenues from the portion of tax in excess of five percent would be designated solely to advertising the Roanoke metropolitan area as an overnight tourist destination by members of the Roanoke Valley Convention and Visitors Bureau. The law would define “advertising the Roanoke metropolitan area as an overnight tourism destination” to mean advertising that is intended to attract visitors from a sufficient distance so as to require an overnight stay of at least one night.

The effective date of this bill is not specified.

## Similar Legislation

**Senate Bill 562** would add Campbell County to the list of counties that are authorized to impose the transient occupancy tax at a maximum rate of five percent, the revenues of which would be used solely for tourism or marketing of tourism.

cc : Secretary of Finance

Date: 2/14/2012 KP  
DLAS File Name: SB103FE161