

**DEPARTMENT OF TAXATION  
2018 Fiscal Impact Statement**

**1. Patron** David A. Reid

**3. Committee** House Rules

**4. Title** State Transient Occupancy Tax

**2. Bill Number** HB 1356

**House of Origin:**

  X   **Introduced**

      **Substitute**

      **Engrossed**

**Second House:**

      **In Committee**

      **Substitute**

      **Enrolled**

**5. Summary/Purpose:**

This bill would expand the current two percent transient occupancy tax imposed in the Northern Virginia region to every county and city in the Commonwealth. The bill would require that thirty-five percent of the revenue generated by the tax be used to fund the Washington Metropolitan Area Transit Authority, with the remaining revenue used to fund transit and transportation projects throughout the Commonwealth.

Under current law, an additional two percent transient occupancy tax is imposed in the Northern Virginia region to fund transportation in the region.

The effective date of this bill is not specified.

**6. Budget amendment necessary:** Yes.

Item(s): Page 1, Revenue Estimates

**7. Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

**8. Fiscal implications:**

Administrative Costs

This bill could have an unknown negative impact on local administrative costs. There would be no impact on state administrative costs.

## Revenue Impact

This bill would result in a positive impact to state transportation revenues of \$44.1 million in Fiscal Year 2019, \$50.4 million in Fiscal Year 2020, \$52.9 million in Fiscal Year 2021, \$55.5 million in Fiscal Year 2022, \$58.4 million in Fiscal Year 2023, and \$61.5 million in Fiscal Year 2024. The total statewide collection of the two percent transient occupancy tax under this bill would be as follows (in millions):

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Current Northern Virginia 2% Transient Occupancy Tax	\$29.2	\$33.4	\$35.1	\$36.8	\$38.7	\$40.8
Additional Revenue from Statewide 2% Tax	\$44.1	\$50.4	\$52.9	\$55.5	\$58.4	\$61.5
Total Statewide Collection	\$73.3	\$83.8	\$88.0	\$92.4	\$97.2	\$102.3

This bill would result in a positive impact to the Washington Metropolitan Area Transit Authority (WMATA) of \$25.7 million in Fiscal Year 2019, \$29.03 million in Fiscal Year 2020, \$30.8 million in Fiscal Year 2021, \$32.3 million in Fiscal Year 2022, \$34.0 million in Fiscal Year 2023, and \$35.8 million in Fiscal Year 2024. This bill would eliminate the automatic deposit of funding from the two percent transient occupancy tax in Planning District 8 of the Northern Virginia area into the Northern Virginia Transportation Authority Fund. Instead, any funding in excess of the revenues distributed to WMATA would be used to fund transit and transportation projects throughout the Commonwealth. The funds would be distributed as follows (in millions):

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Distribution to WMATA (35%)	\$25.7	\$29.3	\$30.8	\$32.3	\$34.0	\$35.8
Transit and Transportation Projects (65%)	\$47.6	\$54.5	\$57.2	\$60.1	\$63.2	\$66.5

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

All localities  
Washington Metropolitan Area Transit Authority

### **10. Technical amendment necessary: No.**

### **11. Other comments:**

#### Transient Occupancy Tax

Under current law, any county may, upon the adoption of an ordinance, impose a transient occupancy tax at a maximum rate of two percent 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 rooms used for alternative purposes, such as banquet rooms and meeting rooms.

Cities or towns may impose excise taxes on transient room rentals of privately owned accommodations and travel campgrounds, and there are no restrictions as to the rate that may be imposed.

#### 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, Albemarle, Allegheny, Amherst, Augusta, Bedford, Bland, Botetourt, Brunswick, Campbell, Caroline, Carroll, Craig, Cumberland, Dickinson, Dinwiddie, Floyd, Franklin, Frederick, Giles, Gloucester, Goochland, Grayson, Greene, Greenville, Halifax, Highland, Isle of Wight, James City, King George, Loudoun, Madison, Mecklenburg, Montgomery, Nelson, Northampton, Page, Patrick, Prince Edward, Prince George, Prince William, Powhatan, Pulaski, Rockbridge, Russell, Smyth, Spotsylvania, Stafford, Tazewell, Warren, Washington, Wise, Wythe, and York. 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.

#### Localities Authorized to Impose Additional Transient Occupancy Taxes

Arlington County is authorized to levy a transient occupancy tax at a maximum rate of five percent, provided the county's local license tax on facilities offering guest rooms rented out for continuous occupancy for fewer than 30 consecutive days does not exceed one percent of the gross receipts from these facilities. 2016 *Acts of Assembly*, Chapters 316 and 365, authorized Arlington County to impose an additional transient occupancy tax at a maximum rate of 0.25 percent of the amount of the charge for accommodations beginning July 1, 2016 and ending July 1, 2018.

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 tax 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 must 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 must 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 must be used to fund the Virginia Horse Center Foundation and the Virginia Equine Center Foundation.

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.

Roanoke County may impose a total transient occupancy tax not to exceed seven percent. The revenue collected from the two percent tax rate increase must be designated solely for advertising the Roanoke metropolitan area as an overnight tourist destination by members of the Roanoke Valley Convention and Visitors Bureau.

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.

2013 House Bill 2313 (*2013 Acts of Assembly*, Chapter 766) imposed an additional two percent transient occupancy tax in the Northern Virginia region. The revenue generated by the tax was remitted by local treasurers into state treasury accounts with the exception of revenue collected in Planning District 8, the Northern Virginia area, which was deposited into the Northern Virginia Transportation Authority Fund.

### Proposal

This bill would impose a two percent transient occupancy tax in every county and city in the Commonwealth. The bill would require that thirty-five percent of the revenue generated by the tax would be used to fund the Washington Metropolitan Area Transit Authority, with the remaining revenue used to fund transit and transportation projects throughout the Commonwealth.

The effective date of this bill is not specified.

### Similar Legislation

**House Bill 579** would allow localities to levy local transient occupancy taxes in state parks.

**Senate Bill 818** would add Rockingham County to the list of counties that are currently authorized to impose the transient occupancy tax at a maximum rate of five percent.

**House Bill 18** and **Senate Bill 69** would remove the sunset date from Arlington County's authority to impose a transient occupancy tax at a higher rate.

**Senate Bill 547** would authorize a county in which at least 40 percent of the employment is in accommodations and food services to impose, after holding a public hearing, an additional transient occupancy tax not to exceed five percent.

cc : Secretary of Finance

Date: 1/30/2018 VB  
HB1356F161