

DEPARTMENT OF TAXATION

2018 Fiscal Impact Statement

1. **Patron** Janet D. Howell

2. **Bill Number** SB 69

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Transient Occupancy Tax; Sunset Date for
Arlington County's Authority to Impose Tax

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would change the sunset date for Arlington County's authority to impose an additional transient occupancy tax of up to 0.25 percent in addition to its current ability to impose a five percent transient occupancy tax to July 1, 2021.

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. In addition, Virginia law separately identifies those counties that are authorized to impose a transient occupancy tax at a maximum rate of five percent. Currently, Arlington County is authorized to impose an additional transient occupancy tax, in addition to the five percent rate, at a maximum rate of 0.25 percent until July 1, 2018.

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:**

Arlington County would experience a positive revenue impact from this bill to the extent that it continues to impose an additional transient occupancy tax at a rate in excess of five percent subsequent to July 1, 2018. Arlington County currently imposes a transient occupancy tax of 5.25 percent.

This bill would have no impact on state revenues.

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

Arlington County

10. Technical amendment necessary: No.

11. Other comments:

Generally

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. In 2016, 77 towns and 37 cities reported levying a transient occupancy tax.

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, 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.

Counties 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.

Proposal

This bill would change the sunset date for Arlington County's authority to impose an additional transient occupancy tax of up to 0.25 percent in addition to its current ability to impose a five percent transient occupancy tax to July 1, 2021. Under current law, the sunset date is July 1, 2018.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 3/7/2018 VB
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