

**DEPARTMENT OF TAXATION
2018 Fiscal Impact Statement**

1. **Patron** Thomas K. Norment, Jr.

3. **Committee** Senate Finance

4. **Title** Sales and Use Tax; Historic Triangle

2. **Bill Number** SB 942

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would impose an additional one percent sales and use tax in the "Historic Triangle," defined as the City of Williamsburg and the Counties of James City and York. Food for human consumption would be exempted from the new tax.

Fifty percent of the revenues generated by the tax would be transferred to the Williamsburg Area Destination Marketing Committee to market, promote, and advertise the Historic Triangle as an overnight tourism destination. The other fifty percent would be distributed to the localities in which the revenues were collected.

The bill would repeal the authority of these localities to impose the current \$2 transient occupancy tax used to promote tourism in the area. The provisions of this bill would be contingent on the City of Williamsburg repealing recent ordinances raising its local transient occupancy, food and beverage, and admission taxes and would expire if the City of Williamsburg reinstates such taxes in the future.

Under current law, the counties of James City and York impose a \$2 transient occupancy tax on the occupancy of overnight guest rooms. The revenues from the tax are used for advertising the Historic Triangle area.

The effective date of this bill is not specified.

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

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

8. Fiscal implications:

Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would have no impact on state revenues. This bill could have a net positive local revenue impact of \$11.5 million in Fiscal Year 2019, \$13.4 million in Fiscal Year 2020, \$13.8 million in Fiscal Year 2021, \$14.2 million in Fiscal Year 2022, \$14.6 million in Fiscal Year 2023, and \$15.1 million in Fiscal Year 2024.

Increasing the sales and use tax by one percent in the City of Williamsburg, James City County, and York County would generate additional revenue of approximately \$20.7 million in Fiscal Year 2019, \$23.1 million in Fiscal Year 2020, \$23.6 million in Fiscal Year 2021, \$24.1 million in Fiscal Year 2022, \$24.6 million in Fiscal Year 2023, and \$25.2 million in Fiscal Year 2024. Half of this amount would be apportioned between the City of Williamsburg, James City County, and York County based on sales tax receipts. The other half would be distributed to the Williamsburg Area Marketing Committee. Removing the authority of the City of Williamsburg, James City County, and York County to impose the current \$2 transient occupancy tax would result in a total transient occupancy revenue loss of \$4.0 million in Fiscal Year 2019, \$4.5 million in Fiscal Year 2020, \$4.6 million in Fiscal Year 2021, \$4.7 million in Fiscal Year 2022, \$4.8 million in Fiscal Year 2023, and \$4.9 million in Fiscal Year 2024.

The net impact is shown in the following table:

Local Tax	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Additional Sales and Use Tax	\$10,338,883	\$11,526,915	\$11,780,507	\$12,039,678	\$12,304,551	\$12,575,251
Williamsburg Local Taxes Revoked	(5,178,000)	(5,178,000)	(5,178,000)	(5,178,000)	(5,178,000)	(5,178,000)
Total	\$5,160,883	\$6,348,915	\$6,602,507	\$6,861,678	\$7,126,551	\$7,397,251

Williamsburg Area Marketing Committee	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Additional Sales and Use Tax	\$10,338,883	\$11,526,915	\$11,780,507	\$12,039,678	\$12,304,551	\$12,575,251
\$2 Transient Occupancy Tax Eliminated	(4,036,015)	(4,492,305)	(4,583,498)	(4,676,543)	(4,778,960)	(4,883,619)
Total	\$6,302,868	\$7,034,610	\$7,197,008	\$7,363,134	\$7,525,591	\$7,691,632

Grand Total	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
	\$11,463,751	\$13,383,525	\$13,799,515	\$14,224,812	\$14,652,142	\$15,088,883

9. Specific agency or political subdivisions affected:

City of Williamsburg and the Counties of James City and York

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. 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, Powhatan, Prince Edward, Prince George, Prince William, 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 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. Arlington County is also 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 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 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.

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.

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.

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.

Proposal

This bill would impose an additional one percent sales and use tax in the “Historic Triangle,” defined as the City of Williamsburg and the Counties of James City and York. Food for human consumption would be exempted from the new tax.

Fifty percent of the revenues generated by the tax would be distributed to the Williamsburg Area Destination Marketing Committee to market, promote, and advertise the Historic Triangle as an overnight tourism destination. The other fifty percent would be distributed to the localities in which the revenues were collected.

The bill would repeal the authority of these localities to impose the current \$2 transient occupancy tax used to promote tourism in the area. The provisions of this bill are contingent on the City of Williamsburg repealing recent ordinances raising its local transient occupancy, food and beverage, and admission taxes and will expire if the City of Williamsburg reinstates such taxes in the future.

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.

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.

House Bill 1356 would expand the two percent regional transient occupancy tax in Northern Virginia statewide and would allocate 35 percent of the increased revenue to WMATA, with the remaining funds going towards funding transportation projects throughout the state.

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.

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. Revenues from the portion of tax in excess of two percent would be required to be used solely for tourism or marketing of tourism.

cc : Secretary of Finance

Date: 2/4/2018 VB
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