

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

1. Patron Thomas K. Norment, Jr.

2. Bill Number SB 652

3. Committee Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. Title Transient Occupancy Tax: Allows the Counties of James City and York to Impose an Additional Tax

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would authorize the counties of James City and York to impose an additional transient occupancy tax of up to \$2 for overnight accommodations.

6. No Fiscal Impact: Not available. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on state revenues. If the localities choose to impose the \$2 additional tax, it would, however, result in an unknown revenue gain in the counties of James City and York.

9. Specific agency or political subdivisions affected:

James City County, York County and the City of Williamsburg

10. Technical amendment necessary: No.

11. Other comments:

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 occupancy by the same individual or group for 30 or more continuous days.

Under this bill, the counties of James City and York would be authorized to impose an additional transient occupancy tax not to exceed \$2 per night for the occupancy of any overnight guest room. The revenues generated from this tax must be spent for

advertising the Greater Williamsburg area as an overnight tourism destination by the members of the Williamsburg Area Destination Marketing Committee of the Williamsburg Area Convention and Visitors Bureau. The tax shall not apply to rooms or spaces rented and continuously occupied by same individual or same group of individuals for 30 or more continuous days. James City County is already authorized to impose a 4% transient occupancy tax. York County is already authorized to impose a 5% transient occupancy tax.

The provisions authorizing this additional transient occupancy tax would expire January 1, 2008. However, the authority would expire January 1, 2005 if any of the governing bodies of the City of Williamsburg, and the Counties of James City and York, fail to adopt an ordinance by January 1, 2005 imposing the additional tax.

Counties Authorized to Impose Additional Transient Occupancy Tax

Albemarle, Amherst, Augusta, Bedford, Botetourt, Caroline, Cumberland, Dinwiddie, Franklin, Gloucester, James City, King George, Loudoun, Mecklenburg, Nelson, Page, Prince Edward, Prince William, Pulaski, Rockbridge, Spotsylvania, Stafford, Tazewell, Wythe, and York are authorized to impose a transient occupancy tax at a minimum rate of five percent. The revenues for the portion of tax over two percent must be spent on tourism and promoting tourism.

Arlington County and Roanoke County may impose the tax up to a rate of five percent. Arlington County may impose a ¼% transient occupancy tax effective January 1, 1991 through January 1, 2006. Proceeds collected from the additional ¼% tax must be designated for promoting tourism and business travel.

The counties of Chesterfield, Hanover, and Henrico may impose an additional transient occupancy tax not to exceed six percent (total maximum rate of eight percent). The revenues from the additional six percent must be used to promote tourism and travel in the Richmond Metropolitan area. Arlington County may impose an additional two percent to be used for design, construction, debt payment and operation of a county conference center.

Other Legislation

House Bill 739 authorizes Floyd County to impose the transient occupancy tax at a rate not to exceed five percent, with all revenues over 2% to be used to promote tourism in the county. Floyd County currently does not impose a transient occupancy tax.

House Bill 741 authorizes Chesterfield, Henrico, and Hanover counties to impose an additional transient occupancy tax not to exceed one percent. All revenues generated from this additional tax must be spent for the development and improvement of the Virginia Performing Arts Foundation's facility in Richmond, for promoting the use of the Richmond Centre and promoting tourism in the Richmond metropolitan area.

House Bill 1001 and Senate Bill 512 authorize Fairfax County to impose an additional two percent transient occupancy tax, revenues to be used to promote tourism and economical development.

Senate Bill 367 authorizes and additional one percent transient occupancy tax for any two or more contiguous counties or cities, revenues to be used to attract convention business to the region.

Senate Bill 375 authorizes Nelson County to impose a transient occupancy tax not to exceed five percent.

Senate Bill 517 authorizes Rockbridge County and the cities of Lexington and Buena Vista to impose and additional 2% transient occupancy tax, the revenues to be used for paying down debt to Rockbridge Industrial Development Authority.

cc : Secretary of Finance

Date: 1/27/2004 LDF