

DEPARTMENT OF TAXATION

2009 Fiscal Impact Statement

1. **Patron** James M. Shuler

3. **Committee** House Finance

4. **Title** Transient Occupancy Tax; Bath County May
Impose Additional Rate

2. **Bill Number** HB 1947

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would authorize Bath County to impose an additional transient occupancy tax at a maximum rate of three percent, the revenue of which would be designated in one-third increments to: 1) tourism initiatives; 2) construction and improvement of historic sites and tourism facilities; and 3) emergency services.

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 several counties that are authorized to impose additional transient occupancy taxes at varying rates, depending upon the county. Revenues from the additional taxes are generally dedicated to promoting tourism.

The effective date of this bill is not specified.

6. **Fiscal Impact Estimates are:** Not Available. (See Line 8.)

7. **Budget amendment necessary:** No.

8. **Fiscal implications:**

This bill would have no impact on state revenues. Currently, Bath County levies a two percent tax on the amount charged to its lodging customers. This bill would allow Bath County to impose transient occupancy tax at a maximum rate of five percent. As it is unknown whether Bath County will exercise the authority granted by this bill to increase the rate of its transient occupancy tax, the impact of this bill on local revenues is unknown.

If Bath County exercises the authority granted by this bill and imposes the tax at the maximum rate, the estimated revenue gain for Bath County would be \$730,000 in Fiscal Year 2010, \$830,000 in Fiscal Year 2011, \$860,000 in Fiscal Year 2012, \$900,000 in Fiscal Year 2013, \$930,000 in Fiscal Year 2014, and \$970,000 in Fiscal Year 2015.

9. Specific agency or political subdivisions affected:

Bath 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: Albemarle County, Amherst County, Augusta County, Bedford County, Botetourt County, Caroline County, Carroll County, Craig County, Cumberland County, Dinwiddie County, Floyd County, Franklin County, Gloucester County, Halifax County, James City County, King George County, Loudoun 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, Spotsylvania County, Stafford County, Tazewell 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.

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.

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 authorize Bath County to impose an additional transient occupancy tax at a maximum rate of three percent. Revenue from the additional tax would be allocated as follows: 1) one-third would be designated solely for tourism and travel, marketing of tourism, or other initiatives that attract tourists and generate tourism revenues; 2) one-third would be designated solely for the design, operation, construction, improvement, acquisition, and debt service for such expenses on debt incurred after June 30, 2009, of tourism facilities, historic sites, beautification projects, promotion of the arts, regional tourism marketing efforts, capital costs related to travel and transportation including air service, public parks and recreation, and information centers that attract travelers to the locality and generate tourism revenues in the locality; and 3) one-third would be designated solely for emergency services including training and equipment for fire and rescue, police, and delivery of acute medical care to serve the community and help respond to tourism-related emergencies.

The effective date of this bill is not specified.

Other Legislation

House Bill 1917 and **Senate Bill 858** would add Giles County to the list of localities that are currently authorized to impose a transient occupancy tax at a maximum rate of five percent.

House Bill 2017 would clarify that, beginning July 1, 2010, the additional transient occupancy tax authorized in Fairfax County does not apply within the limits of any town located in Fairfax County that imposes a town transient occupancy tax unless the governing body of such town provides that the additional transient occupancy tax shall apply.

House Bill 2316 would add Smyth County to the list of localities that are currently authorized to impose a transient occupancy tax at a maximum rate of five percent.

House Bill 2502 and **Senate Bill 1176** would require that authorized counties, in levying a transient occupancy tax greater than two percent, must consult with representatives of lodging properties within the county. (*Identical to SB 1176*)

Senate Bill 1025 would add Greene County to the list of localities currently authorized to impose a transient occupancy tax at a maximum rate of five percent of the charge for the occupancy of any room or space.

Senate Bill 1029 would add single-family residences to the list of facilities on which any county may levy a transient occupancy tax.

cc : Secretary of Finance

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