

# DEPARTMENT OF TAXATION

## 2009 Fiscal Impact Statement

1. **Patron** Brenda L. Pogge

2. **Bill Number** HB 2502

3. **Committee** Senate Finance

**House of Origin:**

☐ **Introduced**

☐ **Substitute**

☐ **Engrossed**

4. **Title** Transient Occupancy Tax; Consultation with Lodging Industry

**Second House:**

☒ **In Committee**

☐ **Substitute**

☐ **Enrolled**

### 5. **Summary/Purpose:**

This bill would specifically require any locality authorized to increase its transient occupancy tax to five percent to consult with representatives of local lodging properties when the locality consults with local tourism industry organizations in order to determine which tourism related expenditures should be made using the revenue gained from imposing the additional transient occupancy tax. Additionally, this bill would specifically include the goal of increasing occupancy at lodging properties as a purpose for which such revenues must be designated and spent.

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 a transient occupancy tax at a maximum rate of five percent. The revenues for the portion of the tax over two percent must be designated and spent solely for tourism, marketing of tourism, or initiatives that, as determined after consultation with the local tourism industry organizations, attract travelers to the locality and generate tourism revenues in the locality.

The effective date of this bill is not specified.

6. **No Fiscal Impact.** (See Line 8).

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

8. **Fiscal implications:**

This bill would have no impact on state or local revenues.

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

All localities authorized to impose transient occupancy tax at a maximum rate of five percent.

**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 revenue gained from imposing the additional transient occupancy tax must be used for tourism and travel, marketing of tourism and other initiatives that attract travelers to the locality and generate tourism revenues. The county must consult with local tourism organizations in order to determine which initiatives attract travelers and generate tourism revenues.

**Proposal**

This bill would specifically require any locality authorized to increase its transient occupancy tax to five percent to consult with representatives of local lodging properties when the locality consults with local tourism industry organizations in order to determine which tourism related expenditures should be made using the revenue gained from imposing the additional transient occupancy tax. Additionally, this bill would specifically include the goal of increasing occupancy at lodging properties as a purpose for which such revenues must be designated and spent.

The effective date of this bill is not specified.

### Similar Legislation

**Senate Bill 1176** is similar to this bill, but would deem the counties of James City and York in compliance with the requirement of consulting the local tourism industry organization because they have enacted an additional transient occupancy tax, the revenues of which are expended solely for advertising the Historic Triangle area, pursuant to *Va. Code* § 58.1-3823(C).

**Senate Bill 858** and **House Bill 1917** would add Giles County to the list of counties 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.

**House Bill 1947** would authorize Bath County to impose an additional transient occupancy tax at a maximum rate of two percent of the charge for the occupancy of any room or space. The revenues from the additional tax would be allocated equally between: 1) tourism, travel, and marketing of tourism, after consultation with local tourism industry organizations; and 2) costs incurred related to design, construction, and acquisition of tourism facilities, historic sites, beautification projects, and similar projects.

**House Bill 2316** would add Smyth County to the list of counties 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 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

Date: 2/6/2009 KP  
DLAS File Name: HB2502FE161.doc