DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement

1. Patron Emmett W. Hanger, Jr.

2. Bill Number SB 1025
House of Origin:
_____ **Introduced**
_____ **Substitute**
_____ **Engrossed**

3. Committee House Finance

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

Second House:
__X__ **In Committee**
_____ **Substitute**
_____ **Enrolled**

5. Summary/Purpose:

This bill would add Greene County to the list of localities that are currently authorized to impose a transient occupancy tax at a maximum rate of five percent. Revenues from the portion of the tax in excess of two percent would be required to be used solely for tourism or marketing of tourism.

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 attract travelers to the locality and generate tourism revenues in the locality.

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, Greene County levies a two percent tax on the amount charged to its lodging customers. This bill would allow Greene County to impose a transient occupancy tax of up to five percent. As it is unknown whether Greene 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 Greene County exercises the authority granted by this bill and imposes the tax at the maximum rate, the estimated revenue gain for Greene County would be $33,000 for Fiscal Year 2010, $37,000 for Fiscal Year 2011, $39,000 for Fiscal Year 2012, $40,000 for Fiscal Year 2013, $42,000 for Fiscal Year 2014, and $44,000 for Fiscal Year 2015.

9. Specific agency or political subdivisions affected:

Greene 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 add Greene County to the list of counties that are authorized to impose the transient occupancy tax at a maximum rate of five percent.

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 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 localities that are currently authorized to impose a transient occupancy tax at a maximum rate of five percent.

House Bill 2502 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.

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

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, but would deem the counties of James City and York in compliance with that requirement 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).

cc : Secretary of Finance

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