

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Mary Margaret Whipple

2. **Bill Number** SB 980

3. **Committee** House Finance

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Transient Occupancy Tax; Extends Sunset
Date for Increased Rate in Arlington County

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. **Summary/Purpose:**

This bill would extend the sunset date from January 1, 2012 to January 1, 2015, for the authority for Arlington County to impose an additional transient occupancy tax at a maximum rate of one-fourth of one percent of the amount charged for the occupancy of any room or space occupied.

Under current law, Arlington County is authorized to impose an additional transient occupancy tax not to exceed one-fourth of one percent. This authorization will expire on January 1, 2012. The revenues collected from the additional tax are to be designated and spent in promoting tourism and business travel in the county.

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:**

This bill would have no impact on state revenues. Arlington County currently imposes the transient occupancy tax at a rate of 5.25%. If Arlington County chooses to continue to impose the additional transient occupancy tax, the bill would result in revenues of approximately \$448,000 in Fiscal Year 2012, \$1,120,000 in Fiscal Year 2013, \$1,165,000 in Fiscal Year 2014, and \$707,000 in Fiscal Year 2015 from the additional one-fourth of one percent tax.

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

Arlington 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 occupancy 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, Allegheny County, Amherst County, Augusta County, Bedford County, Botetourt County, Caroline County, Carroll County, Craig County, Cumberland County, Dinwiddie County, Floyd County, Franklin County, Giles County, Gloucester County, Greene 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, Smyth 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

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. 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.

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.

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.

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.

Transient Occupancy Taxes in Arlington County

In 1977, the General Assembly enacted legislation authorizing Arlington County to impose the transient occupancy tax at a rate not to exceed 5%. In addition to this transient occupancy tax, beginning January 1, 1991, Arlington County was granted authorization to impose an additional transient occupancy tax, limited to one-fourth of one percent of the amount of the charge for the occupancy of any room or space occupied. The authority to impose the additional tax was originally set to expire on December 31, 1993, but the expiration date was extended in 1993, 1996, 1999, 2002, 2005, and 2008. The authority to impose the additional transient occupancy tax is currently set to expire on January 1, 2012.

This bill would extend the expiration date to January 1, 2015. The revenues collected from this additional tax must be designated for promoting tourism and business travel in the county.

The effective date of this bill is not specified.

Similar Bills

House Bill 1451 would authorize Madison County (like Rappahannock County) to levy a combined transient occupancy and food and beverage tax on the aggregate charges for rooms and meals in bed and breakfast establishments, when such charges are not separately stated.

House Bill 1452 would add the counties of Accomack, Brunswick, Madison, and Washington 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.

Senate Bill 984 would add Brunswick 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.

Senate Bill 743 would add Washington County to the list of localities that are currently authorized to impose a transient occupancy tax at a maximum rate of five percent, the revenues from the excess of which would be required to be used solely for tourism or marketing of tourism.

cc : Secretary of Finance

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