DEPARTMENT OF TAXATION
2018 Fiscal Impact Statement

1. **Patron** Emmett W. Hanger, Jr.

2. **Bill Number** SB 547
   House of Origin:
   _____ **Introduced**
   _____ **Substitute**
   _____ **Engrossed**

3. **Committee** House Finance

4. **Title** Transient Occupancy Tax; Eligible Historic Lodging Properties

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

5. **Summary/Purpose:**

   This bill would authorize a qualified county to impose, after holding a public hearing, an additional transient occupancy tax not to exceed five percent of the amount of the charge for the occupancy of any room or space occupied at eligible historic lodging properties.

   In addition, the bill provides a definition for a "qualified county" as a county in which at least 40 percent of the employment is in accommodations and food services, as set forth in the Quarterly Census of Employment and Wages for the second quarter of 2017, as published by the Virginia Employment Commission.

   The revenues collected from the additional tax would be designated solely as local funds to be used to incentivize other entities to invest in substantial rehabilitation, renovation, and expansion projects on eligible historic lodging properties that would enhance local economic development and tourism opportunities.

   The effective date of this bill is not specified.

6. **Budget amendment necessary:** No

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

   Administrative Costs

   Localities that choose to levy a Transient Occupancy Tax on an "eligible historic lodging property" as a result of this bill could experience unknown administrative costs. This bill would have no effect on state administrative costs.

Revenue Impact

Localities that choose to levy a Transient Occupancy Tax on an "eligible historic lodging property" as a result of this bill could experience an unknown revenue gain as a result. There would be no impact on state revenues.

9. Specific agency or political subdivisions affected:

Counties that meet the definition of "qualified county."

10. Technical amendment necessary: No

11. Other comments:

Background

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: Accomack, Albemarle, Allegheny, Amherst, Augusta, Bedford, Bland, Botetourt, Brunswick, Campbell, Caroline, Carroll, Craig, Cumberland, Dickinson, Dinwiddie, Floyd, Franklin, Frederick, Giles, Gloucester, Goochland, Grayson, Greene, Greensville, Halifax, Highland, Isle of Wight, James City, King George, Loudoun, Madison, Mecklenburg, Montgomery, Nelson, Northampton, Page, Patrick, Powhatan, Prince Edward, Prince George, Prince William, Pulaski, Rockbridge, Russell, Smyth, Spotsylvania, Stafford, Tazewell, Warren, Washington, Wise, Wythe, and York. 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.

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Localities Authorized to Impose Additional Transient Occupancy Taxes

Beginning July 1, 2016, and ending July 1, 2018, Arlington County may impose an additional transient occupancy tax not to exceed one-fourth of one percent of the amount of the charge for the occupancy of any room or space occupied. The revenues collected from the additional tax shall be designated and spent for the purpose of 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.

Rockbridge County 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.

Bedford County may impose an additional transient occupancy tax not to exceed two percent of the amount of the charge for the occupancy of any room or space occupied. The revenues collected from the additional tax shall be designated and spent solely for tourism and travel; marketing of tourism; or initiatives that, as determined after consultation with local tourism industry organizations, including representatives of lodging properties located in the county, attract travelers to the locality, increase occupancy at lodging properties, and generate tourism revenues in the locality.

Botetourt County may impose an additional transient occupancy tax not to exceed two percent of the amount of the charge for the occupancy of any room or space occupied. The revenue generated and collected from the two percent tax rate increase shall be designated and expended solely for advertising the Roanoke metropolitan area as an

overnight tourist destination by members of the Roanoke Valley Convention and Visitors Bureau.

Fairfax County may impose an additional transient occupancy tax not to exceed two percent of the amount of charge for the occupancy of any room or space occupied. No more than 75 percent of such revenues shall be designated for and appropriated to Fairfax County to be spent for tourism promotion in the County after consultation with local tourism industry organizations and in support of the local tourism industry; and The remaining portion of such revenues shall be designated for and appropriated to a nonprofit convention and visitor's bureau located in Fairfax County.

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 a qualified county to impose, after holding a public hearing, an additional transient occupancy tax not to exceed five percent of the amount of the charge for the occupancy of any room or space occupied at eligible historic lodging properties.

Under this bill, a "qualified county" that is eligible to impose a tax on "eligible historic lodging properties" would be a county in which at least 40 percent of the employment is in accommodations and food services, as set forth in the Quarterly Census of Employment and Wages for the second quarter of 2017, as published by the Virginia Employment Commission.

The bill would define "eligible historic lodging property" as a structure (i) that contains 450 or more rooms for overnight lodging purposes, (ii) that is situated on one or more parcels of land exceeding 700 acres, and (iii) of which some or all portions of the structure were constructed prior to 1930.

The bill provides that Transient Occupancy Tax on eligible historic lodging properties may not permitted to exceed five percent of the amount of the charge for the occupancy of any room or space.

Further, the revenues collected from the additional tax would be designated solely as local funds to be used to incentivize other entities to invest in substantial rehabilitation, renovation, and expansion projects on eligible historic lodging properties that would enhance local economic development and tourism opportunities.

The effective date of this bill is not specified.

Similar Legislation

House Bill 579 would allow localities to levy local transient occupancy taxes in state parks.

Senate Bill 69 would remove the sunset date from Arlington County's authority to impose a transient occupancy tax at a higher rate.

Senate Bill 818 would add Rockingham County to the list of counties authorized to impose the transient occupancy tax at a maximum rate of five percent

cc : Secretary of Finance

Date: 2/13/2018 SK
DLAS File Name: SB547F161