

DEPARTMENT OF TAXATION

2022 Fiscal Impact Statement

1. **Patron** Siobhan S. Dunnavant

3. **Committee** Passed House and Senate

4. **Title** Retail Sales and Use Tax; Taxable
Accommodations

2. **Bill Number** SB 432

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would provide that for purposes of the Retail Sales and Use Tax on accommodations, the term “accommodations” does not include rooms or space offered by a person in the business of providing conference rooms, meeting space, or event space if the person does not also offer rooms available for overnight sleeping. The bill further provides that nothing in the definitions of “retail sale” and “sale at retail” require or have required, in any year prior to the effective date of the bill, the collection of any tax for the offering of rooms or space by a person in the business of providing conference rooms, meeting space, or event space if the person does not also offer rooms available for overnight sleeping.

Under current law, “accommodations” means any room or rooms, lodgings, or accommodations in any hotel, motel, inn, tourist camp, tourist cabin, camping grounds, club, or any other place in which rooms, lodging, space, or accommodations are regularly furnished to transients for a consideration. Such transactions are subject to the Retail Sales and Use Tax.

The provisions of this bill are retroactive to September 1, 2021. However, this bill would not entitle any taxpayer to a refund of taxes remitted prior to July 1, 2022.

6. **Budget amendment necessary:** No.

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

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill as routine and does not require additional funding.

Revenue Impact

This bill would result in an unknown negative impact to state revenues.

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

Department of Taxation

10. Technical amendment necessary: No

11. Other comments:

Background

Generally, under current law, rentals of public spaces for conferences, weddings, and other such events are subject to the Retail Sales and Use Tax. A retail sale subject to sales tax includes the sale or charges for any room or rooms, lodgings, or accommodations in any hotel, motel, inn, tourist camp, tourist cabin, camping grounds, club, or any other place in which rooms, lodging, space, or accommodations are regularly furnished to transients for a consideration. The Tax Commissioner has opined that this definition “appears to contemplate the broad inclusion of any rental space by any persons or businesses engaged in the rental of any such accommodations for a period of 90 days or less.” According to the *Virginia Administrative Code* any additional charges made in connection with the rental or other lodging or accommodations are deemed to be part of the charge for the room and are subject to the tax.

Statute of Limitations

Under the *Virginia Code*, complete requests for refunds of erroneously or illegally collected and remitted taxes must be filed within three years from the last day prescribed by law for the timely filing of the original return to be within the statute of limitations.

Proposal

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cc : Secretary of Finance

Date: 3/4/2022 SK
SB432FER161