



ARLINGTON COUNTY, VIRGINIA

**County Board Agenda Item
Meeting of October 18, 2008**

DATE: September 19, 2008

SUBJECT: Request to advertise for a public hearing on November 15, 2008 for a proposed code amendment to eliminate the current \$8,000 exemption from gross receipts for calculating the Lodging License Tax as found in Arlington County Code §11-72 [Lodging] for tax year 2009.

C. M. RECOMMENDATION: Authorize advertising for a November 15, 2008 public hearing on the proposed removal of the exemption of \$8,000 in gross revenues in calculating the amount of the Lodging License tax found in Chapter 11-72 (Lodging) of the Arlington County Code (Attachment 1).

ISSUES: The Commissioner of Revenue requests an amendment to §11-72 of the Arlington County Code to delete an exemption for the first \$8,000 in gross receipts for calculating the lodging licensing tax beginning in CY 2009.

SUMMARY: The Arlington County Code §11-72 currently states:

Every person engaged in any of the following lodging businesses shall pay an annual license tax of thirty-six cents (\$0.36) for each one hundred dollars (\$100.00) of gross receipts in excess of eight thousand dollars (\$8,000.00) from the business during the preceding calendar year: Boarding house; Campsite; Hotel; Lodging House; Motel; Tourist home/cabin; Trailer park; Travel trailer site; Other lodging business.

The COR is requesting that County Code §11-72 be amended to delete the eight thousand dollar (\$8,000.00) exemption in this section. The exemption is an administrative burden to both the tax filer and the County. The exemption equates to a \$28.80 benefit to the taxpayer which is offset by the time and effort necessary to comply with the exemption filing requirements.

BACKGROUND: The exemption in Arlington County Code §11-72 is not required by Virginia statute, nor is it generally enacted in other local jurisdictions. In dollar terms, the exemption costs the Arlington Commissioner of Revenue's office a significant amount of administrative staff time to "back out" the exemption in what would otherwise be a straightforward tax calculation. The business license form does not contain a line for the exemption, so the COR must check to see if taxpayers have calculated it.

County Manager: _____

County Attorney: _____

Staff: Raymond Warren, Commissioner of Revenue

When taxpayers do not take the exemption (and overpay) up to six employees in the Commissioner and Treasurer's offices are involved in generating a refund. From the point of view of the lodging license holders, the calculation of the tax is complicated by the exemption, while eliminating it would, at most, cost each holder an additional \$28.80 per year. Adjusting the County Code to reduce the administrative burdens of tax filings is a benefit to all taxpayers

DISCUSSION: This change needs to be enacted in time for taxpayers to be notified and in advance of filing for 2009 business licenses, the deadline for which is March 1. In terms of financial impact, the change would increase the tax on each business by no more than \$28.80 per year. The current accounting cost for "backing out this exemption" from gross receipts calculations may, however, exceed the current benefit of the exemption for businesses.

FISCAL IMPACT: Business license tax revenue for FY 2009 is budgeted at \$55.4 million. Removing an exemption of up to \$28.80 per license for the 49 current licensees will have a nominal impact on county revenue and lodging businesses in Arlington.

ATTACHMENT 1

BE IT ORDAINED by the County Board of Arlington, Virginia that Chapter 11-72, of the Arlington County Code is amended, reenacted and recodified to read in pertinent part as follows:

Chapter 11-72

LODGING

§ 11-72. Lodging.

Every person engaged in any of the following lodging businesses shall pay an annual license tax of thirty-six cents (\$0.36) for each one hundred dollars (\$100.00) of gross receipts ~~in excess of eight thousand dollars (\$8,000.00)~~ from the business during the preceding calendar year:

Boarding house.	Tourist home/cabin.
Campsite.	Trailer park.
Hotel.	Travel trailer site.
Lodging house.	Other lodging business.
Motel.	

(Ord. No. 96-17, 12-7-96)