

Transient Occupancy Tax Work Group

Guiding Principle

Transient occupancy tax as authorized by §58.1-3819, or §58.1-3840, is a local tax, enabled by local ordinance, administered locally. Further, all transient occupancy tax collections shall be deemed to be held in trust for the county, city or town imposing the tax.

If requirements of the authorizing code were perceived as a barrier to entry in the Virginia market, perhaps efforts on the part of the intermediaries should have taken place prior to operating in the market under the current governing laws.

Thousands of transient lodging establishments across the state currently collect and remit to over 100 cities, counties and towns without incident and have done so for decades.

Some accommodations intermediaries are currently collecting and remitting on a regular basis. There should be no reason all intermediaries cannot do the same.

All new businesses have the responsibility to create systems to fulfill their tax obligations, whether on the federal, state or local level. Companies wishing to operate locally in Virginia are no exception.

Monitoring tax compliance in the same governmental subdivision where the tax revenues (or refunds) are being realized is the most effective way to ensure taxation is done equitably and accurately.

Streamlining Operations

In an effort to assist intermediaries in fulfilling their obligation to local governments, Commissioners of Revenue are willing to accept the responsibility of creating one transient occupancy tax return format to be adopted by all localities. Commissioners of Revenue will also agree to standardize reporting and remittance to a monthly submission on a common date. This will enable intermediaries to work with a single standard for all localities.

While many localities currently have the ability to accept electronic filing and/or payment, many do not. It would be substantially burdensome to require all localities to expend significant investment, engineering, product, design and technological expertise to meet this standard.

Auditing

Transient occupancy taxes, when collected and remitted by an entity to the locality are largely self-reported. Compliance is generally determined by comparing local and state submissions for agreement. Resulting requests for audits are few. Intermediaries can be assured that taxes reported, collected and remitted, by location and in a timely fashion would similarly result in few audit requests. Only by obscuring the source of the taxes remitted, would intermediaries create the need for multiple audit and information requests.

Data Sharing

Currently, most Commissioners of Revenue are receiving copies of the regular reporting by intermediary platforms from the hosts operating locally. These reports demonstrate that the data collection is already underway, and that a mere consolidation by locality of data currently generated will likely result in a usable format to meet our requirements.

In Summary

Consolidated collection and remittance are not an acceptable option to local governments. As this work group meets to examine the processes currently used to collect local transient occupancy taxes and make recommendations for improving the efficiency and uniformity of those processes, we hope to focus on the efficiencies we can promote among local governments, meaning those entities authorized to adopt ordinances levying this local tax.