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Tax Fairness Proposal Closes a Loophole and Helps Localities

Analysis shows almost every locality would benefit

RICHMOND, VA – Governor Terry McAuliffe’s proposed revisions to the state budget contain a bonus for almost every city, county, and town in Virginia, according to new analysis released today by The Commonwealth Institute, an independent fiscal and economic policy organization in Richmond. By closing a statewide tax loophole, the proposal would allow Virginia’s cash-strapped localities to collect taxes on the full price of hotel rooms booked online, rather than only part of their prices.

Currently, when hotel rooms and other short-term accommodations are booked through online booking sites like Priceline and Orbitz, sales and transient occupancy taxes are charged only on the discount price negotiated by the online site, not on the full price paid by the consumer. When accommodations are booked directly with the hotel or property manager, taxes are charged on the full room price paid by the consumer.

Closing this loophole would raise about $1.7 million for the state general fund, and could result in about $2.75 million a year in additional local transient occupancy tax revenue plus another $500,000 a year in local option sales tax revenue. Analysis of current taxable sales by the accommodations industry and local transient occupancy receipts shows almost every locality would see additional revenue.

Virginia Beach, for example, could receive about $421,000 in additional new revenue, enough to fund the local share of the cost of allowing 173 additional at-risk four year olds to attend high-quality preschool. Similarly, the $59,000 Prince William would receive could provide full-time preschool to 25 students. (NOTE: The report contains a table of the top 20 localities in terms of benefit from closing this loophole. Additional locality information is available on request.)

“Closing this loophole would be a small but important step toward creating a more fair revenue system that helps the state and localities generate needed revenue for critical services,” said Michael Cassidy, president of The Commonwealth Institute. “Approving this proposal should be an easy decision for Virginia legislators.”
The full report, *Local Bonus*, can be found [here](#).

## About The Commonwealth Institute
The Commonwealth Institute for Fiscal Analysis provides credible, independent and accessible information and analyses of fiscal and economic issues with particular attention to the impacts on low- and moderate-income persons. Our products inform fiscal and budget policy debates and contribute to sound decisions that improve the well-being of individuals, communities and Virginia as a whole. Visit [www.thecommonwealthinstitute.org](http://www.thecommonwealthinstitute.org) for more information.