

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 29, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: ORDINANCE TO ELIMINATE THE TRANSIENT LODGING TAX EXEMPTION GIVEN TO FEDERAL, STATE, AND LOCAL GOVERNMENT EMPLOYEES WHO ARE REIMBURSED FOR THEIR HOTEL ROOM RENTAL

ISSUE: Consideration of an ordinance to eliminate the transient lodging tax exemption given to federal, state, and local government officials who pay for their hotel room rentals from their personal funds, but are subsequently reimbursed by the government for the expenditure.

RECOMMENDATION: That City Council approve the proposed ordinance (Attachment 1) on first reading on June 12, 2007, and schedule it for public hearing, second reading, and final passage on June 16, 2007.

DISCUSSION: The Alexandria City Code currently grants two types of transient lodging tax exemptions to federal, state, and local government employees on official business. The first exemption applies to room rentals that are paid directly by the governmental entity to the hotel. The Constitutional relationship between the federal and local governments as expressed in statute and longstanding case law requires this first type of exemption. A second type of exemption, which is not legally mandated by the State or federal governments, has been granted by the City to any governmental official who pays for the hotel room rental with personal funds but is later reimbursed by that official's government. This proposed ordinance would eliminate this second exemption. A comparison of the policies of other local jurisdictions in the Washington Metropolitan area shows that the City of Alexandria is the only locality that grants an exemption for the transient lodging tax when the room rental is paid with personal funds. The proposed ordinance will provide some consistency in the treatment of government employees at hotels throughout the Washington metropolitan area. As part of the FY 2008 budget deliberations, City Council approved eliminating this second exemption.

The exemption for room rentals paid directly to a hotel by a governmental entity will continue to remain in effect.

FISCAL IMPACT: Staff estimates that eliminating this part of the transient lodging tax exemption for federal, state and local governmental employees would increase the City's transient lodging tax revenues by approximately \$200,000 a year. While not explicitly earmarked, the elimination of this unique tax exemption enabled Council to fund increases in the budget, including increasing the funds for National Harbor related activities, to \$700,000.

ATTACHMENT: Proposed Ordinance

STAFF:

Mark Jinks, Deputy City Manager

Laura B. Triggs, Acting Director of Finance

Debbie Kidd, Division Chief, Revenue Administration

Introduction and first reading: 6/12/07
Public hearing: 6/16/07
Second reading and enactment: 6/16/07

INFORMATION ON PROPOSED ORDINANCE

Title

AN ORDINANCE to amend and reordain Section 3-2-143 (EXCEPTIONS) of Article K (TRANSIENT LODGING TAX) of Chapter 2 (TAXATION) of Title 3 (FINANCE, TAXATION AND PROCUREMENT) of the Code of the City of Alexandria, Virginia, 1981, as amended

Summary

The proposed ordinance eliminates the current hotel tax exemption for room charges paid by employees of government agencies, and reimbursed to the employee by the agency.

Sponsor

Staff

Laura B. Triggs, Acting Director of Finance
Debbie Kidd, Chief, Revenue Division
David Clark, Treasurer
Roderick B. Williams, Assistant City Attorney

Authority

Virginia Code § 58.1-3840
23 Virginia Administrative Code 10-210-690
Opinion of Attorney General to The Honorable Johnny S. Joannou, Member, Senate of Virginia, 1987-88 Report of the Attorney General of Virginia 553 (April 29, 1988)
Opinion of Attorney General to The Honorable Richard N. Harris, Director, Division of Justice and Crime Prevention, 1972-73 Report of the Attorney General of Virginia 28 (January 31, 1973)
Alexandria City Charter § 2.02(a)

1 Estimated Costs of Implementation

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3 None

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5 Attachments in Addition to Proposed Ordinance and its Attachments (if any)

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ORDINANCE NO. _____

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3 AN ORDINANCE to amend and reordain Section 3-2-143 (EXCEPTIONS) of Article K
4 (TRANSIENT LODGING TAX) of Chapter 2 (TAXATION) of Title 3
5 (FINANCE, TAXATION AND PROCUREMENT) of the Code of the City of
6 Alexandria, Virginia, 1981, as amended

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8 THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:
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10 Section 1. That Section 3-2-143 of the Code of the City of Alexandria, Virginia,
11 1981, as amended, be, and the same hereby is, amended to read as follows:
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13 Sec. 3-2-143 Exceptions.
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15 No tax shall be payable hereunder in any of the following instances:
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17 (1) on room rental paid directly by ~~any the~~ federal, state or city government ~~official~~
18 ~~or employee when on official business, and the government concerned either pays the~~
19 ~~rental or reimburses the employee or official;~~
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21 (2) on room rental paid to any hospital, medical clinic, convalescent home or home
22 for aged people; and
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24 (3) on room rental paid by any person enrolled in and attending full time a school,
25 college or university within the corporate limits of the city.
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27 Section 2. That this ordinance shall become effective on July 1, 2007.
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29 WILLIAM D. EUILLE
30 Mayor
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32 Introduction: 6/12/07
33 First Reading:
34 Publication:
35 Public Hearing:
36 Second Reading:
37 Final Passage:
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