

DEPARTMENT OF TAXATION

2025 Fiscal Impact Statement

1. **Patron** R. Lee Ware

2. **Bill Number** HB 1557

3. **Committee** House Finance

House of Origin:

Introduced

Substitute

Engrossed

4. **Title** Short-term rentals; registration; civil penalty

Second House:

In Committee

Substitute

Enrolled

5. Summary/Purpose:

This bill would require the Department of Taxation (“the Department”) to establish a registry of short-term rental properties. The bill would require accommodations intermediaries and accommodations providers to register and to provide identifying information to the Department. Accommodations intermediaries would have a quarterly obligation to provide the Department with a report of receipts and taxes paid for the properties on their platform. Every intermediary would also have to require any accommodations providers listing on the intermediary’s platform to provide identifying information and an address for their rental property.

The bill would also require the Department to provide the commissioner of the revenue for each locality with access to the registry. The bill would provide for a civil penalty of \$1,000 for accommodations intermediaries that fail to remove unauthorized properties on their platform within seven days of being notified of an unauthorized rental property by their local commissioner of the revenue.

This bill would become effective July 1, 2026.

6. Budget amendment necessary: Yes.

Items 258 and 260: Department of Taxation

7. Fiscal Impact Estimates are: Preliminary. (See Line 8)

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2026-27	\$758,265	1	GF
2027-28	\$88,800	1	GF
2028-29	\$88,800	1	GF
2029-30	\$88,800	1	GF
2030-31	\$88,800	1	GF

8. Fiscal implications:

Administrative Costs

Due to the system and form changes required by this bill and the resources already committed to implementing legislation enacted during the 2023 General Assembly session, the Department would be unable to implement this legislation by the effective date specified by this bill. As a result, the Department requests a delayed effective date of July 1, 2027. This would allow time to make the technology changes described below, as well as work with relevant local and taxpayer stakeholders.

Even if a delayed effective date is adopted, the Department would incur costs in implementing this legislation, as shown above. These costs would be incurred primarily to develop and implement the information technology changes necessary to register accommodations providers and intermediaries, generate the reports required by the bill, and provide commissioners of the revenue access to the system.

This bill would have an unknown impact on local administrative costs.

Revenue Impact

This bill may have a potential unknown positive impact on local revenues to the extent that the registration and penalty provisions in the bill increase transient occupancy tax collections by encouraging tax compliance. The bill may also have a potential unknown positive impact on Virginia Housing Trust Fund revenues to the extent that penalties are imposed, collected, and deposited into the fund.

9. Specific agency or political subdivisions affected:

Department of Taxation
All localities

10. Technical amendment necessary: Yes.

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Due to the system and form changes required by this bill and the resources already committed to implementing legislation enacted during the 2023 General Assembly session, the Department requests a delayed effective date of July 1, 2027.

11. Other comments:

Background

The rental or transient occupation of short-term rental properties is subject to both sales tax and transient occupancy tax. Short-term rental properties are distinct from traditional hotels and motels because they tend to be private residences that are rented by the owner through listing on an accommodations intermediary’s platform. The intermediary

lists the property, connects the owner with renters, and handles all of the payment involved in the transaction.

For localities, these rental properties can represent lost revenue because tax compliance for short-term rental transactions has traditionally not been as high as for hotel/motel occupancy. Owners of these rental properties often do not collect the taxes due and localities often cannot identify non-compliant properties or owners because the necessary information is not always available on an intermediary's platform.

The Department has no role in administering local transient occupancy taxes, but it does receive sales taxes collected and remitted on all transient occupancy transactions. Accommodations intermediaries are required to collect and remit all sales and occupancy taxes that may be required on all types of taxable transient occupancy transactions, including those involving short-term rental properties. Localities receive their share of sales taxes from the Department and their share of local transient occupancy tax directly from the intermediary or accommodations provider that collected it.

Proposal

This bill would require the Department to establish a registry of short-term rental properties. The bill would require accommodations intermediaries and accommodations providers to register and to provide identifying information to the Department. Accommodations intermediaries would have a quarterly obligation to provide the Department with a report of receipts and taxes paid for the properties on their platform if such intermediary does not comply with the existing requirement to submit monthly reports to localities including the property address and gross receipts for all accommodations facilitated in each locality. The bill would also require every accommodations intermediary to require all accommodations providers listing on the intermediary's platform to provide identifying information and an address for their rental property.

The bill would also require the Department to provide the commissioner of the revenue for each locality with access to the registry. The commissioners would be obliged to notify an intermediary if their platform contains any unauthorized rental properties. The bill would provide for a civil penalty of \$1,000 for accommodations intermediaries that fail to remove an unauthorized listing within seven days of being notified by the local commissioner of the revenue. Revenues from the penalty would go to the Virginia Housing Trust Fund.

This bill would become effective July 1, 2026.

cc : Secretary of Finance

Date: 1/12/2025 VB
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