

City of Virginia Beach FY 2025-26 Budget

Response to Council Question

Question Number: 041

Date Requested: April 29, 2025

Requested By: Councilmember Henley

Question: What taxes do Short-Term Rentals pay?

Department: Budget and Management Services

Response: Short-term rentals in the City pay a variety of fees and taxes. The annual zoning permit fee is \$200. Applicants must also pay an application fee of \$200. For FY 2025-26, the application fee has been proposed to increase from \$200 to \$500 with the increased fee offsetting additional FTEs to inspect STRs. Additionally, there is the City’s short-term rental registry provided by City Code 35-169, and those that are required to register pay a \$50.00 registration fee.

The relevant property taxes – real and personal – would apply. As long as the duration of stay is 90 days or less, transient occupancy tax and flat room tax also apply. The business license or BPOL tax may apply in certain circumstances.

The Transient Occupancy Tax can differ depending on where the Short-Term Rentals are located. Below is a table displaying the Transient Occupancy Tax for Short-Term Rentals located in the Sandbridge Special Service District (SSD) and for Short-Term Rentals located outside of the Sandbridge SSD. The Transient Occupancy Tax is also calculated partially by the total gross rental, which the calculation for total gross rental is also provided in the table below.

Rentals <u>Outside</u> of the Sandbridge SSD	Rentals <u>In</u> the Sandbridge SSD
Total gross rental = room charge + cleaning fee + additional fees (linens, pets, etc.) + guest service fee.	Total gross rental = room charge + cleaning fee + additional fees (linens, pets, etc.) + guest service fee.
Total collected tax = total gross rental x 15% (9% lodging + 6% Virginia sales tax) + \$2 per night.	Total collected tax = total gross rental x 16.5% (10.5% city and 6% Virginia sales tax) + \$2 per night.

Below is an example of how the Transient Occupancy Tax and the total amount is calculated based on a guest staying and renting a short-term rental for a total of eight (8) nights.

Fee/Tax	Calculation	Amount Paid by Guest
Nightly Rental Fee x 8 Nights	\$70.43 x 8	\$563.44
Cleaning Fee	\$110	\$110
Guest Service Fee	\$95.07	\$95.07
Transient Occupancy Taxes	768.51 x .15	\$115.28
Flat Room Tax	\$2 x 8	\$16
Total		\$899.79