

City of Alexandria, Virginia
FY 2026 Proposed Operating Budget & CIP
Budget Questions & Answers

March 25, 2025

Question(s):

- What would the revenue gain be from increasing the non-real estate and non-personal property tax rates that the City has the authority to raise (hotel occupancy tax, admissions tax, etc.)? Were any of these revenue enhancements considered by staff in the development of the Manager's proposed budget?
- In terms of the transient lodging tax, does the City have the same authority to tax short-term rentals at a different rate than we do traditional hotels?

Response:

Question 1:

Category	FY 2026 Estimated Revenue	Current Rate	Unit of Measure	Additional Revenue Per Unit	Maximum Rate
Admissions Tax	\$0.3 million	10% not to exceed \$0.50	Each \$0.25 increase to the existing cap of \$0.50	\$0.13 million	None

Category	FY 2026 Estimated Revenue	Current Rate	Unit of Measure	Additional Revenue Per Unit	Maximum Rate
Meal Sales Tax	\$32.85 million	5%	1%	\$6.57 million	None

Category	FY 2026 Estimated Revenue	Current Rate	Unit of Measure	Additional Revenue Per Unit	Maximum Rate
Transient Lodging Tax	\$14.9 million	6.5% + \$1.25 per room per night	1%	\$2.00 million	None

Category	FY 2026 Estimated Revenue	Current Rate	Unit of Measure	Additional Revenue Per Unit	Maximum Rate
BPOL Tax Rates - Business Personal, Repair	\$13.7 million	\$0.35	\$0.01	\$0.4 million	\$0.36

Category	FY 2026 Estimated Revenue	Current Rate	Unit of Measure	Additional Revenue Per Unit	Maximum Rate
BPOL Tax Rates - Financial Services	\$4.1 million	\$0.35	\$0.10	\$1.2 million	\$0.58

Question 2:

No. Both Sales Tax and the Transient Lodging Tax equally apply to Short Term Rentals and to hotels and motels. The rates can not be different depending upon the type of rental.

Sales Tax is paid on the room rental price. The rate is 1% for our Local Sales Tax (General Fund revenue) and 5% for the State Sales Tax. The combined rate of 6% is charged to all room rentals and is fixed by state law.

The City's Transient Lodging Tax also applies to both Short Term Rentals and to hotels and motels. They all pay the same rate of 6.5% of the room rental plus \$1.25 per room per night. Based on uniformity requirements and definitions in the State Code, we cannot charge one rate for Short Term Rentals and a different rate for hotels and motels.