

**DEPARTMENT OF TAXATION
2004 Fiscal Impact Statement**

1. Patron John A. Cosgrove

2. Bill Number HB 1301

3. Committee House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. Title Business, Professional and Occupational
License Tax; Compliance with Zoning

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would prohibit localities from issuing a business, professional and occupational license unless the locality has determined that the applicant's place of business satisfies all local zoning regulations.

6. Fiscal Impact Estimates are: Not available. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no impact on state revenues. This bill would have a potential negative impact on local revenues to the extent that businesses are denied business licenses because they do not comply with zoning regulations.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Background on the BPOL Tax

The business, professional and occupational license (BPOL) tax is a tax on businesses for the privilege of engaging in business at a definite place of business within a Virginia locality. The measure or basis of the BPOL tax generally is the gross receipts of the business. The BPOL tax is a tax on gross receipts, not net income.

Current BPOL Fee

Under current BPOL law, any locality may charge a license fee in an amount not to exceed:

- \$100 for any locality with a population greater than 50,000
- \$50 for any locality with a population of 25,000 but no more than 50,000
- \$30 for any locality with a population smaller than 25,000

The locality may not assess a license tax on gross receipts upon which it charges a license fee.

Current BPOL Tax

Under current BPOL law, localities may not impose a license tax on a business with gross receipts:

- less than \$100,000 in any locality with a population greater than 50,000
- less than \$50,000 in any locality with a population of 25,000 but no more than 50,000.

Any business with gross receipts in excess of these thresholds may be subject to license tax at a rate not to exceed the rates set forth below:

- Contracting - sixteen cents per \$100 of gross receipts
- Retail sales - twenty cents per \$100 of gross receipts
- Financial, real estate and professional services - fifty-eight cents per \$100 of gross receipts
- Repair, personal and business services, and all other businesses - thirty-six cents per \$100 of gross receipts.

Localities that imposed a higher rate structure on January 1, 1978 are allowed to continue to impose the tax at those rates.

This bill would prohibit localities from issuing a local business, professional and occupational license unless the locality has determined that the applicant's place of business satisfies all local zoning regulations.

cc : Secretary of Finance

Date: 2/7/2004 JEM