

DEPARTMENT OF TAXATION

2004 Fiscal Impact Statement

1. **Patron** Leo C. Wardrup, Jr.

3. **Committee** House Finance

4. **Title** Business, Professional and Occupational License Tax: Repeal of Exemption for Printing or Publishing of Newspapers and Other Periodicals.

2. **Bill Number** HB 1381

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would repeal the business, professional and occupational license tax exemption for the privilege of printing or publishing newspapers, magazines, newsletters or other publications.

The effective date of this bill is not specified.

6. No Fiscal Impact

7. Budget amendment necessary: No.

8. Fiscal implications:

This bill would have no effect on state revenues. It would have a positive effect on all localities that have the enumerated tax exempt businesses in their locality.

9. Specific agency or political subdivisions affected:

All localities imposing the local business, professional and occupational license (BPOL) tax

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.

Proposal

This bill would repeal the local BPOL tax exemption for the privilege of printing or publishing newspapers, magazines, newsletters or other publications. To qualify for the exemption, such publications must be issued daily or regularly at average intervals not exceeding three months, provided the publication's subscription sales are exempt from the state sales tax. There has been an exemption applicable to the printing of newspapers since 1897, when the *Code of Virginia* provided an exemption for "the privilege or right of printing or publishing any newspaper" from the license tax.

If this exemption is repealed, many of the beneficiaries of the current exemption would be classified as manufacturers and may qualify for the manufacturing exemption. The manufacturing exemption, however, only exempts wholesale sales made from the place of manufacture. Many newspaper and magazine publishers sell their publications directly to consumers and therefore, their sales would not qualify as wholesale sales.

To date, only two exemptions have been repealed since 1928, one for wholesalers or retailers of bicentennial medals, and one for those authorized to celebrate the rites of marriage. A third exemption, with a sunset provision, applicable to certain nonprofit colleges, hospitals and other institutions of learning was permitted to expire.

Other Legislation

HB 1382 would impose an additional one cent tax upon each newspaper published in the Commonwealth.

cc : Secretary of Finance

Date: 2/7/2004/slr