

**DEPARTMENT OF TAXATION  
2005 Fiscal Impact Statement**

1. **Patron** John M. O'Bannon, III

2. **Bill Number** HB 2241

**House of Origin:**

☐ **Introduced**

☐ **Substitute**

☐ **Engrossed**

3. **Committee** Senate Finance

4. **Title** Business, Professional and Occupational  
License Tax; Appraisers

**Second House:**

☒ **In Committee**

☐ **Substitute**

☐ **Enrolled**

**5. Summary/Purpose:**

This bill would provide an exemption from the business, professional and occupational license ("BPOL") tax for gross receipts received by an appraisal entity from real estate appraisal transactions when such amounts are paid to an appraiser affiliated with the appraisal entity as a fee and the appraiser pays the BPOL tax on such receipts.

The effective date of this bill is not specified.

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 decrease local BPOL revenues to the extent that appraisal entities qualify for this exemption.

**9. Specific agency or political subdivisions affected:**

All localities that impose the 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

In 2002, legislation was enacted (2002 Acts, Chapter 532) to allow real estate brokers to claim an exclusion for commissions paid to agents provided the agent has paid the BPOL tax on such commissions. Additionally, the 2002 legislation provided an exclusion from the BPOL tax to certain real estate brokers for desk fees and other overhead costs paid to the brokers by real estate agents.

This bill would provide an exemption from the BPOL tax for gross receipts received by an appraisal entity from real estate appraisal transactions when such amounts are paid to an appraiser affiliated with the appraisal entity as a fee and the appraiser pays the BPOL tax on such receipts. The appraisal entity claiming the exclusion would be required to identify

on its license application each appraiser to whom the excluded receipts have been paid, and the jurisdiction in the Commonwealth to which the appraiser is subject to business license taxes. This bill would provide the same type of benefit to real estate appraisal entities and the 2002 legislation did for real estate brokers.

cc : Secretary of Finance

Date: 2/8/2005 JEM