

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** Kathy J. Byron

2. **Bill Number** HB 869

3. **Committee** Passed House and Senate

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Business, Professional and Occupational
License Tax; License Application Due Date

Second House:

☐ In Committee

☐ Substitute

☒ Enrolled

5. Summary/Purpose:

This bill would authorize localities that impose the Business, Professional and Occupational License ("BPOL") tax or fee to adopt a license application due date that is on or after March 1, but no later than May 1.

Under current law, all localities are required to have a March 1 license application due date.

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. The immediate impact on local revenues is uncertain because localities may or may not exercise the authority to change their license application due date. As taxpayers are required to pay their license tax or fee by the due date, localities that choose to move their due date may see a delay in receiving BPOL tax and fee revenues.

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. 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. Additionally, the locality 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.

The 1996 General Assembly Session enacted House Bill 293 (Chapter 720, 1996 Regular Session) and Senate Bill 587 (Chapter 715, 1996 Regular Session) in an effort to reform and standardize the administration of the BPOL tax throughout the Commonwealth. This legislation requires every locality that imposes a BPOL tax or fee to adopt uniform ordinance provisions, including a March 1 license application due date.

Proposal

This bill would authorize localities that impose the BPOL tax or fee to adopt a license application due date that is on or after March 1, but no later than May 1.

Other Legislation

Senate Bill 522 is identical to this bill.

cc : Secretary of Finance

Date: 02/28/2006 JEM