

**DEPARTMENT OF TAXATION  
2006 Fiscal Impact Statement**

**1. Patron** Timothy D. Hugo

**3. Committee** House Finance

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

**2. Bill Number** HB 1595

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would repeal the local Business, Professional and Occupational License ("BPOL") tax and fee.

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 a negative impact on localities that impose the local Business, Professional and Occupational License ("BPOL") tax and fee. Approximately 39 cities, 135 towns, and 54 counties impose some form of business license tax or fee. Counties, cities and towns reported a total of \$517 million in BPOL tax and fee revenue in Fiscal Year 2004, the most recent year for which data is available from the Auditor of Public Accounts ("APA").

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

All localities that impose a BPOL tax and fee.

**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.

Localities are also authorized to license taxes on certain public service companies and on businesses severing coal, gas and oil from the earth.

### Proposal

This bill would repeal the local Business, Professional and Occupational License ("BPOL") Tax and fee.

### Other Legislation

**House Bill 869** and **Senate Bill 522** would allow localities to adopt a BPOL license application due date that is on or after March 1, but no later than May 1.

**Senate Bill 597** would impose BPOL rate restrictions applicable to certain distributors of motor fuels.

cc : Secretary of Finance

Date: 01/28/2006 JEM