

**DEPARTMENT OF TAXATION
2007 Fiscal Impact Statement**

1. Patron Joe T. May

3. Committee House Finance

4. Title Local License Taxes: Incentives and Grants
for Certain Businesses

2. Bill Number HB 2388

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would authorize localities to provide grants, contractual payments, and other benefits and to exempt from local license taxes any business (1) that is primarily engaged in providing electronic payments processing services for financial institutions, (2) that has a definite place of business within a Multicounty Transportation Improvement District on or after July 1, 2008, and (3) upon whose property is levied a special improvements tax. The provisions of this bill would expire on June 30, 2016.

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 revenue impact of this bill on localities is unknown because it is not known whether they would exercise the authority granted by this bill to provide grants, contractual payments, and other benefits or to offer local license tax exemptions to qualifying businesses.

TAX would incur no administrative costs in the implementation of this bill.

9. Specific agency or political subdivisions affected:

Localities within Multicounty Transportation Improvement Districts

10. Technical amendment necessary: No.

11. Other comments:

Current 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, 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 authorize localities to exempt from local license taxes any business (1) that is primarily engaged in providing electronic payments processing services for financial institutions, (2) that has a definite place of business within a Multicounty Transportation Improvement District on or after July 1, 2008, and (3) upon whose property is levied a special improvements tax. The provisions of this bill would expire on June 30, 2016.

This bill would also authorize localities to provide the businesses with grants or contractual payments or benefits when warranted by the economic or other benefit the locality would receive.

The provisions of this bill would expire on June 30, 2016.

cc : Secretary of Finance

Date: 1/26/2007 AM

