

# DEPARTMENT OF TAXATION

## 2007 Fiscal Impact Statement

1. **Patron** Robert H. Brink

2. **Bill Number** HB 2559

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

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

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would authorize the local commissioner of revenue to accept estimated payments from taxpayers based on the amount paid by the taxpayer in the immediately preceding year when calculating the amount of Business, Professional and Occupational License ("BPOL") tax that is due after the first year a business is in operation.

Under current law, a business that is subject to license taxation on its gross receipts generally calculates its tax liability for the license year using its prior year's gross 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. The impact on local revenues is uncertain because localities may or may not exercise the authority granted by this bill.

**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.

A business that is subject to license taxation on its gross receipts calculates its tax liability for the license year using its base year gross receipts. The license year is the calendar year for which a license is issued for the privilege of engaging in business. The base year is the calendar year preceding the license year unless the local ordinance provides for a different period for measuring the gross receipts of a business, such as for beginning businesses. Many local ordinances, provide that a beginning business must calculate its license tax liability for its first year based on its estimated first year receipts. At the end of the first license year, the business's license tax liability is adjusted to reflect actual first year receipts. After the first year, each succeeding year's tax is based upon the prior year's gross receipts and is not corrected to reflect actual gross receipts.

### Proposal

This bill would authorize the local commissioner of revenue to accept estimated payments from the taxpayer based on the amount paid by the taxpayer in the immediately preceding year when calculating the amount of BPOL tax that is due after the first year a business is in operation.

### Similar Legislation

**House Bill 1695, Senate Bill 772 and Senate Bill 1011** would clarify that amounts received for any federal or state excise taxes on motor fuels are excluded from gross receipts for purposes of the BPOL tax.

**House Bill 2443** would repeal the local BPOL tax and fee.

**House Bill 2675** would authorize localities to require that beginning business applicants must produce evidence that all properly assessed delinquent business license, personal property, meals, transient occupancy, severance, and admissions taxes owed by the business to the locality have been paid.

**House Bill 2806** would grant commissioners of the revenue the power to deny or revoke business licenses of persons who cannot provide legal documents proving they are legally eligible to be employed in the United States.

**House Bill 2929** would authorize any locality to impose a BPOL fee in an amount not to exceed \$1,000 and to vary the amount of the fee based on the amount of gross receipts of the business.

**House Bill 2930** would provide that local business licenses and state licenses would be denied or suspended if the business employs or uses unlawful workers.

**Senate Bill 1118** would authorize localities to prohibit, by ordinance, the issuance or renewal of local business licenses to persons who cannot provide legal documents proving they are legally eligible to be employed in the United States or who employ such persons.

**Senate Bill 1291** would provide that any contractor who is required to obtain a state contractors license shall provide a copy or other satisfactory evidence of such license when applying for a BPOL license.

cc : Secretary of Finance

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