

# DEPARTMENT OF TAXATION

## 2007 Fiscal Impact Statement

1. **Patron** Onzlee Ware

3. **Committee** House Finance

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

2. **Bill Number** HB 2675

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would subject a “beginning” business to the same requirements applicable to existing businesses with respect to requiring proof that all delinquent tax liabilities have been satisfied.

Under current law, localities may require that no business license be issued until the applicant has produced satisfactory 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.

The effective date of this bill is not specified.

**6. No Fiscal Impact:** (See Line 8.)

**7. Budget amendment necessary:** No.

**8. Fiscal implications:**

This bill would have no impact on state revenues. This bill may have a positive revenue on local revenues to the extent that beginning businesses pay delinquent taxes in order to obtain initial business licenses.

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

All localities.

**10. Technical amendment necessary:** No.

## 11. Other comments:

### 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.

Under current law, localities may require that no business license be issued until the applicant has produced satisfactory 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.

### Proposal

This bill would subject a “beginning” business to the same requirements applicable to existing businesses with respect to requiring proof that all delinquent tax liabilities have been satisfied.

## Other Legislation

**House Bill 2443** would repeal the local Business, Professional and Occupational License ("BPOL") tax and fee.

**House Bill 2559** would authorize the local commissioner of the revenue to accept estimated payments of BPOL tax based on the amount paid by the taxpayer in the immediately preceding taxable year.

**House Bill 2806** would grant local 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 localities to impose a business license fee in an amount not to exceed \$1,000 and to vary the amount of the fee according to the amount of the 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 grant local 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 or if the business employs or uses unlawful workers.

**Senate Bill 1291** would require that every contractor who is required to have a valid contractor's license to provide proof of the license when applying and renewing a local business license.

cc : Secretary of Finance

Date: 1/20/2007 AM  
DLAS File Name: HB2675F161.doc