

DEPARTMENT OF TAXATION

2010 Fiscal Impact Statement

1. **Patron** Mark L. Cole

2. **Bill Number** HB 57

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** Senate Finance

4. **Title** Business, Professional, and Occupational
License Tax; Limits on Imposition and Rates

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would prohibit any locality from imposing the Business, Professional, and Occupational License ("BPOL") tax if it did not impose the tax on January 1, 2010 and would prohibit any locality from increasing its BPOL tax rates after January 1, 2010.

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. As localities that do not impose the BPOL tax currently would be prohibited from imposing the BPOL tax and localities that impose the BPOL tax would be prohibited from increasing the rates of the tax, this bill would impact the ability of localities to raise additional local revenue from the BPOL tax. In Fiscal Year 2008, the BPOL tax generated more than \$661.8 million for the counties, cities, and towns that imposed the tax. The BPOL tax is imposed in all 39 cities, 47 of the 95 counties, and many of the towns of the Commonwealth.

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:

- \$50 for any locality with a population of 25,000 and greater
- \$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.

Proposal

This bill would prohibit any locality from imposing the Business, Professional, and Occupational License ("BPOL") tax if it did not impose the tax on January 1, 2010 and would prohibit any locality from increasing its BPOL tax rates after January 1, 2010.

The effective date of this bill is not specified.

Similar Legislation

House Bill 110 would allow localities to impose the BPOL tax on either the gross receipts or the Virginia taxable income of a business.

House Bill 364 would allow localities to require that businesses produce satisfactory evidence that delinquent local taxes owed by the applicant's business or businesses have been paid before it issues or renews a business license.

House Bill 409 would require that any contractor applying for or renewing a business license in any locality must furnish either i) satisfactory proof that he is duly licensed or certified, or ii) a written statement supported by an affidavit that he is not subject to licensure or certification.

House Bill 713 would require that the Commissioner of the Revenue verify that every taxpayer seeking a local business license who is subject to the state licensing requirements of the Department of Professional and Occupational Regulation has obtained a state license.

House Bill 985 and **Senate Bill 90** would exclude amounts paid to an independent registered representative as a commission on any sale or purchase of a security from the gross receipts of a security broker or security dealer for the purposes of the BPOL tax.

cc : Secretary of Finance

Date: 2/12/2010 AM
DLAS File Name: HB57FE161