

**DEPARTMENT OF TAXATION
2010 Fiscal Impact Statement**

1. **Patron** Christopher K. Peace
3. **Committee** Passed by House and Senate
4. **Title** Business, Professional, and Occupational
License Tax; Contractors

2. **Bill Number** HB 713
House of Origin:
 Introduced
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 X **Enrolled**

5. Summary/Purpose:

This bill 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 by the Commonwealth to carry out or superintend the same, or ii) a written statement supported by an affidavit that he is not subject to licensure or certification.

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. To the extent that unlicensed contractors are denied a business license as a result of this bill and do not pay the local Business, Professional and Occupational License ("BPOL") tax and fee, there may be some decrease in local revenues. Under current law, a person who engages in business without obtaining a license or after having been refused a license is still required to pay the BPOL tax.

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.

Contractor's Licenses

Under current law, the state requires licenses of contractors in the following classes:

- Class A contractors perform or manage construction, removal, repair, or improvements when (i) the total value referred to in a single contract or project is \$120,000 or more, or (ii) the total value of all such construction, removal, repair, or improvements undertaken by such person within any 12-month period is \$750,000 or more.
- Class B contractors perform or manage construction, removal, repair, or improvements when (i) the total value referred to in a single contract or project is \$7,500 or more, but less than \$120,000, or (ii) the total value of all such construction, removal, repair or improvements undertaken by such person within any 12-month period is \$150,000 or more, but less than \$750,000.
- Class C contractors perform or manage construction, removal, repair, or improvements when (i) the total value referred to in a single contract or project is over \$1,000 but less than \$7,500, or (ii) the total value of all such construction, removal,

repair, or improvements undertaken by such person within any 12-month period is less than \$150,000.

Proposal

This bill 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 by the Commonwealth to carry out or superintend the same, or ii) a written statement supported by an affidavit that he is not subject to licensure or certification.

The effective date of this bill is not specified.

Similar Legislation

House Bill 409 is identical to this bill.

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: 3/3/2010 AM
DLAS File Name: HB713FER161