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	HOUSE BILL NO. 10

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2   **HOUSE BILL NO. 10**
AMENDMENT IN THE NATURE OF A SUBSTITUTE
3 (Proposed by the Senate Committee on Finance
4 on February 29, 2012)
5 (Patron Prior to Substitute—Delegate Cole)
6 *A BILL to amend and reenact § 58.1-3702 of the Code of Virginia, relating to the imposition of local*
7 *license taxes.*
8   **Be it enacted by the General Assembly of Virginia:**
9 **1. That § 58.1-3702 of the Code of Virginia is amended and reenacted as follows:**
10   § 58.1-3702. Authority of counties, cities, and towns.
11   *A.* The provisions of this chapter shall be the sole authority for counties, cities, and towns for the
12 levying of the license taxes described herein. Except as provided herein, the governing body of every
13 county, city, and town that levies such license tax may impose the tax on *(i)* the gross receipts ~~or the~~
14 ~~Virginia taxable income~~ of the business *or (ii) the Virginia taxable income of a corporation, the net*
15 *income of a sole proprietorship, and the net income of a pass-through entity. For all businesses upon*
16 *which a county, city, or town levies the license tax, it shall use the tax base under clause (i) for all such*
17 *businesses or the tax base under clause (ii) for all such businesses.*
18   *B. 1. The* Virginia taxable income *of a corporation* shall be calculated pursuant to the provisions of §
19 ~~58.1-322 or~~ 58.1-402~~, whichever is applicable to the business~~.
20   *2.* Throughout this chapter, ~~except in § 58.1-3731, wherever the term "gross receipts" is used, the~~
21 ~~term "Virginia taxable income" shall be substituted~~ whenever a county, city, or town ~~selects it~~ *uses (i)*
22 *Virginia taxable income* as the base on which to levy the license tax *upon corporations, then wherever*
23 *the term "gross receipts" is used, the term "Virginia taxable income" shall be substituted, and (ii) net*
24 *income as the base on which to levy the license tax on sole proprietorships and pass-through entities,*
25 *then wherever the term "gross receipts" is used, the term "net income" shall be substituted.*
26   *C. If (i) a business has a definite place of business in more than one county, city, or town in the*
27 *Commonwealth, or in more than one state including a jurisdiction in the Commonwealth, and (ii) a*
28 *county, city, or town in the Commonwealth in which the business has a definite place of business levies*
29 *the license tax on such business based on Virginia taxable income or net income, as applicable, then*
30 *Virginia taxable income or net income shall be apportioned to such definite place of business on the*
31 *basis of payroll, regardless of the situs rules of § 58.1-3703.1.*
32   *D. 1. Notwithstanding any other provision of this section, a county, city, or town imposing the*
33 *license tax pursuant to § 58.1-3715 shall impose the tax (i) using the tax base provided under such*
34 *section and (ii) in accordance with all other provisions of such section.*
35   *2. Notwithstanding any other provision of this section, a county, city, or town imposing the license*
36 *tax pursuant to § 58.1-3716, 58.1-3719.1, or 58.1-3731 shall impose the tax (i) using the tax base*
37 *provided under the respective section and (ii) at a rate not to exceed the maximum tax rate under the*
38 *respective section.*
39   *3. Notwithstanding any other provision of this section, a county, city, or town imposing the tax*
40 *pursuant to § 58.1-3712, 58.1-3712.1, 58.1-3713, or 58.1-3713.4 shall impose the tax using the tax base*
41 *and the sourcing or situs rules under the respective section and in accordance with all other provisions*
42 *of the respective section.*
43   *4. Any county, city, or town, including one that did not impose the taxes under this chapter for the*
44 *2011 license year, shall be subject to the license tax rules under subdivisions 1 through 3 for purposes*
45 *of imposing the tax under this chapter.*
46   *E. Notwithstanding any other provision of this section, if a county, city, or town levies the license tax*
47 *under this chapter on the Virginia taxable income of a corporation and the net income of sole*
48 *proprietorships and pass-through entities, the provisions of §§ 58.1-3732, 58.1-3732.2 through*
49 *58.1-3732.5, 58.1-3734, and 58.1-3734.1 shall not apply.*
50   *F. For purposes of this section, "pass-through entity" means the same as such term is defined in*
51 *§ 58.1-390.1.*