

Commission on Local Government

Estimate of Local Fiscal Impact
2012 General Assembly Session

Bill: HB 10 **Patron:** Cole **Date:** January 19, 2012

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

I. Bill Summary

Precludes a locality from increasing its local license (BPOL) fees or taxes above the rates of its BPOL fees and taxes imposed for the 2011 license year. The bill also provides that a locality that elects to impose a BPOL tax on Virginia taxable income may not thereafter impose the tax on gross receipts.

II. Fiscal Impact Analysis

The Commission on Local Government (CLG) received fiscal impact statements from 19 localities – the Counties of Arlington, Campbell, Carroll, Fairfax, Henrico, Prince George, Rappahannock, Spotsylvania, and York; the Cities of Danville, Lynchburg, Radford, Roanoke, Richmond, and Winchester; and the Towns of Blacksburg, Christiansburg, Hillsville and Haymarket.

Ten of the responding localities – the Counties of Carroll, Fairfax, Henrico, Rappahannock and Spotsylvania; the Cities of Lynchburg, Roanoke, Richmond, and Winchester; and the Town of Haymarket – reported that they would not experience a net reduction in revenue.

The Counties of Carroll and Rappahannock stated that they do not currently levy a BPOL tax.

The Cities of Lynchburg and Roanoke indicated that they already levy the BPOL tax at the highest rate allowable.

The Counties of Fairfax and Henrico; the City of Winchester; and the Town of Haymarket expressed concern about restricting a locality's ability to raise revenues via the BPOL tax.

Four of the respondents – the Counties of Campbell and York; the City of Danville; and the Town of Blacksburg – indicated that they would experience a revenue loss of less than \$5,000. Campbell County stated that they charge the maximum

allowable rate in all categories except retail gasoline and diesel, so revenue loss would be minimal.

The remaining five respondents – the Counties of Arlington and Prince George; the City of Radford; and the Towns of Christiansburg and Hillsville – reported that they would experience a revenue loss of over \$5,000. The estimates ranged from \$134,000 in the Town of Hillsville to \$10,467,668 in Arlington County. Listed below are the revenue estimates:

Arlington County:	\$10,467,668
Prince George County:	418,318
Radford City:	unknown
Christiansburg Town:	571,895
Hillsville Town:	134,000

Arlington County and the Town of Hillsville calculated their revenue losses based on the additional revenue they could collect if they were to increase their BPOL rates to the maximums allowed by the Commonwealth.

Prince George County is currently considering an increase in the rates with regard to retail sales, professional licenses, and business licenses for Fiscal Year 2013. Their estimate is derived from the potential loss of revenue due to restrictions on increasing taxes.

The City of Radford was unable to generate an estimate. They stated that, if a locality were required to switch from gross receipts to taxable income, they would not be able to raise BPOL in order to make up for lost revenue.

The Town of Christiansburg noted that the bill unfairly restricts their ability to raise revenues. They also noted that, over a five year period, their revenue growth would be restricted by \$2.9 million.

III. Conclusion

While the provisions of HB 10 are applicable to all localities in the Commonwealth, the rate cap will have the most immediate impact on jurisdictions that levied the BPOL tax in 2011 at a rate lower than the maximum allowed under current law because the bill will prohibit them from raising these rates. The restriction on revenues will vary based upon the difference between a locality's BPOL rate and the maximum allowable rate. In addition, the level of business activity in a given jurisdiction directly correlates with its potential revenue loss.