

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Karen S. Greenhalgh
3. **Committee** Senate Finance and Appropriations
4. **Title** Local Business Taxes; Penalties

2. **Bill Number** HB 1685
- House of Origin:**
 Introduced
 Substitute
 Engrossed
- Second House:**
 X **In Committee**
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would require that applications for local business licenses must clearly set out the due date for the application and the amount of any penalty to be charged for late filing of the application, the underpayment of estimated tax, and late payment of tax.

This bill would also require that any bill issued by the treasurer or other collecting official and any communication from the assessing official that imposes a penalty or interest for a local Business Professional and Occupational License (BPOL) tax must separately state the total amount of tax owed, the amount of any interest assessed, and the amount of the penalty imposed. Similarly, any bill issued by the treasurer imposing a penalty or interest for a local machinery and tools tax or business tangible personal property tax must separately state the total amount of tax owed, the amount of any interest assessed, and the amount of the penalty imposed.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July 1, 2023.

6. **Budget amendment necessary:** No
7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)
8. **Fiscal implications:**

Administrative Costs

This bill could result in unknown administrative costs to localities related to the notice requirements. This bill would have no impact on state administrative costs.

Revenue Impact

This bill would have no impact on state or local revenues.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No

11. Other comments:

Business Professional and Occupational License

Under current law, localities are authorized to impose a Business Professional and Occupational License ("BPOL") tax upon local businesses. The BPOL tax is currently imposed in all 39 cities, 48 of the 95 counties, and many of the towns of the Commonwealth. The measure or basis of the BPOL tax generally is the gross receipts of the business. However, current law allows localities to assess the BPOL tax on either gross receipts or the Virginia taxable income of a business.

A penalty of ten percent of the tax may be imposed upon the failure to file an application or the failure to pay the tax by the appropriate due date. Both penalties may be assessed if the assessing official determines that the taxpayer has a history of noncompliance. If any assessment of tax by the assessing official is not paid within 30 days, the treasurer may impose a ten percent late payment penalty.

Tangible Personal Property and Machinery and Tools

Tangible personal property and machinery and tools used in a business are subject to local taxation. Any county, city, or town may provide by ordinance the time for filing annual returns of taxable tangible personal property and machinery and tools. Localities may impose a penalty for failure to pay or file a return on such property that does not exceed ten percent of the tax past due on such property.

Proposal

This bill would require that applications for local business licenses must clearly set out the due date for the application and the amount of any penalty to be charged for late filing of the application, the underpayment of estimated tax, and late payment of tax.

This bill would also require that any bill issued by the treasurer or other collecting official and any communication from the assessing official that imposes a penalty or interest for a Business Professional and Occupational License (BPOL), machinery and tools tax, or business tangible personal property tax, must separately state the total amount of tax owed, the amount of any interest assessed, and the amount of the penalty imposed.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July 1, 2023.

cc : Secretary of Finance
Date: 2/3/2023 SK
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