

# DEPARTMENT OF TAXATION

## 2007 Fiscal Impact Statement

1. **Patron** Leo C. Wardrup, Jr.

2. **Bill Number** HB 2224

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Business, Professional, and Occupational  
License Tax: Repeal of Exemption for  
Publishers

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

5. **Summary/Purpose:**

This bill would repeal the business, professional and occupational license (BPOL) tax exemption for printers and publishers of newspapers, magazines, newsletters and other publications.

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. It would have a positive impact on local revenues in localities that impose the business license tax and have these businesses in their locality.

9. **Specific agency or political subdivisions affected:**

All localities

10. **Technical amendment necessary:** No.

11. **Other comments:**

Background on the 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.

### Current BPOL Fee

Under current BPOL law, any locality may charge a license fee in an amount not to exceed:

- \$100 for any locality with a population greater than 50,000
- \$50 for any locality with a population of 25,000 but no more than 50,000
- \$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.

### Current BPOL Tax

Under current BPOL law, localities 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 repeal the local BPOL tax exemption for the privilege of printing or publishing newspapers, magazines, newsletters or other publications. To qualify for the exemption, such publications must be issued daily or regularly at average intervals not exceeding three months, provided the publication's subscription sales are exempt from the state sales tax. There has been an exemption applicable to the printing of newspapers since 1897, when the Code of Virginia provided an exemption for "the privilege or right of printing or publishing any newspaper" from the license tax.

If this exemption is repealed, many of the beneficiaries of the current exemption would be classified as manufacturers and may qualify for the manufacturing exemption. The

manufacturing exemption, however, only exempts wholesale sales made from the place of manufacture. Many newspaper and magazine publishers sell their publications directly to consumers and therefore, their sales would not qualify as wholesale sales.

#### Similar Legislation

**House Bill 2225** would impose a state tax at the rate of \$0.01 upon each newspaper, magazine, newsletter, or other publication delivered and sold in the Commonwealth.

**House Bill 1695, Senate Bill 772 and Senate Bill 1011** would clarify that the motor fuels tax is exempt from gross receipts for purposes of the BPOL tax.

**House Bill 2443** would repeal the local Business, Professional and Occupational License ("BPOL") tax and fee.

**House Bill 2675** would authorize localities to require that beginning business applicants must produce evidence that all properly assessed delinquent business license, personal property, meals, transient occupancy, severance, and admissions taxes owed by the business to the county, city, or town have been paid.

**House Bill 2559** would authorize the local commissioner of the revenue to accept estimated payments of BPOL tax based on the amount paid by the taxpayer in the immediately preceding taxable year.

**House Bill 2806** would grant local commissioners of the revenue the power to deny or revoke business licenses of persons who cannot provide legal documents proving they are legally eligible to be employed in the United States.

**House Bill 2929** would authorize localities to impose a business license fee in an amount not to exceed \$1,000 and to vary the amount of the fee according to the amount of the gross receipts of the business. Under current law, the maximum fee is \$50 for localities having a population of 25,000 or more and \$30 for localities having a population of less than 25,000.

**House Bill 2930** would provide that local business licenses and state licenses would be denied or suspended if the business employs or uses unlawful workers.

cc : Secretary of Finance

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