

# DEPARTMENT OF TAXATION

## 2007 Fiscal Impact Statement

1. **Patron** Jeffrey M. Frederick

3. **Committee** House Finance

4. **Title** Business, Professional and Occupational License Tax; Repeal

2. **Bill Number** HB 2443

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

This bill would repeal the local Business, Professional and Occupational License ("BPOL") tax and fee.

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 a negative impact on localities that impose the local Business, Professional and Occupational License ("BPOL") tax and fee. Approximately 39 cities, 120 towns, and 45 counties impose some form of business license tax or fee. Counties, cities and towns reported a total of \$561 million in BPOL tax and fee revenue in Fiscal Year 2005, the most recent year for which data is available from the Auditor of Public Accounts ("APA").

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

All localities that impose a BPOL tax and fee.

**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. 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. 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.

Localities are also authorized to license taxes on certain public service companies and on businesses severing coal, gas and oil from the earth.

### Proposal

This bill would repeal the local Business, Professional and Occupational License ("BPOL") Tax and fee.

### Other Legislation

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

**House Bill 2224** would repeal the BPOL tax exemption for newspapers, magazines, newsletters, or other publications issued daily or regularly at average intervals not exceeding three months.

**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 2675** would authorize localities to refuse to issue a business license to any beginning business until the applicant has produced satisfactory evidence that all delinquent local taxes owed by the business to the locality have been paid.

**House Bill 2806** would require commissioners of the revenue 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 increase the local business license fee that all localities may impose to \$1,000.

**House Bill 2930** would provide that local business licenses and state licenses shall be denied or suspended if the business employs or uses persons who cannot provide legal documents proving they are legally eligible to be employed in the United States.

**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.

**Senate Bill 1118** would provide that local business licenses and state licenses shall be denied or suspended to a person who cannot provide legal documents proving they are legally eligible to be employed in the United States or who employs or uses persons who cannot provide legal documents proving they are legally eligible to be employed in the United States.

**Senate Bill 1291** would require every contractor who is required to have a valid state contractor's license to provide proof of such license when applying for and renewing a local business license

cc : Secretary of Finance

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