

DEPARTMENT OF TAXATION

2007 Fiscal Impact Statement

1. **Patron** Richard L. Saslaw

2. **Bill Number** SB 1011

3. **Committee** Senate Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Business, Professional, and Occupational
License Tax; Motor Fuels Exemption

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would exclude amounts received for any federal or state excise taxes on motor fuels from the business, professional, and occupational license ("BPOL") tax.

The effective date of this bill is not specified.

This is an Executive bill.

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. Although it could have an effect on localities that impose the BPOL tax and have motor fuel retailers within the locality, it appears that most motor fuel retailers have been claiming a deduction and localities have been allowing the deductions for these taxes since 2001.

9. Specific agency or political subdivisions affected:

All localities imposing the BPOL tax.

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.

Several items may be excluded from the gross receipts of the taxpayer. These items include the amounts received and paid to the appropriate government for the Virginia retail sales and use tax, any local sales tax, any local excise tax on cigarettes, and any federal or state excise tax on motor fuels.

At the time the statute allowing these exclusions was enacted, retail service stations collected the taxes at the pump and then remitted the taxes to the appropriate state and federal agencies. Thus, these retailers were allowed to exclude such amounts from their gross receipts for purposes of the BPOL tax. Effective January 1, 2001, however, the point of imposition of the state excise taxes on motor fuels was removed from the point of retail sale and the excise tax was imposed at the point of distribution, instead. The change in the point of the imposition of the excise tax was not intended to affect the overall tax burden of retail service stations.

Proposal

This bill would amend the business, professional, and occupational license ("BPOL") tax to clarify that taxpayers may continue to exclude amounts received, but not paid, for any federal or state excise taxes on motor fuels from the amount to be taxed.

Other Legislation

House Bill 1695 and **Senate Bill 772** are identical to this bill.

cc : Secretary of Finance

Date: 1/12/2007 Initials
DLAS File Name