

**DEPARTMENT OF TAXATION  
2008 Fiscal Impact Statement**

**1. Patron** L. Scott Lingamfelter

**3. Committee** House Finance

**4. Title** Local License Tax; Exemption for New  
Businesses

**2. Bill Number** HB 1561

**House of Origin:**

  X   **Introduced**

      **Substitute**

      **Engrossed**

**Second House:**

      **In Committee**

      **Substitute**

      **Enrolled**

**5. Summary/Purpose:**

This bill would authorize any county, city, or town, by ordinance, to exempt in whole or in part from the local license tax any new business not previously licensed in the locality. The exemption would be effective for the first five years that the business operates in the locality. The bill would provide that a business that receives this exemption and ceases operation in the locality in which the exemption was extended within the first five years of operation would be liable for the license tax in the same amount as it would be if no exemption had been extended.

Under current law, localities are authorized to charge a fee for issuing a license for the operation of businesses, trades, professions, and occupations of \$100 or less if such locality has a population greater than 50,000, \$50 or less for localities with a population of 25,000 to 50,000, and \$30 if the locality has a population smaller than 25,000. Localities may choose to assess a local license tax on businesses, trades, professions, and occupations in lieu of the local license 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:**

TAX would incur no administrative costs in implementing this bill. The local revenue impact of this bill is not available. However, to the extent that a locality chooses to use the authority granted to it under this bill to exempt new businesses from the local license tax, this bill would result in a decrease in that locality's revenue.

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

TAX

All localities

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

**11. Other comments:**

Local License Tax

Current law authorizes the governing body of any locality to impose a fee for issuing a business, professional, or occupational license. Localities with populations that exceed 25,000 are authorized to impose a maximum license fee of \$50. Localities with a population of fewer than 25,000 may impose a fee up to \$30.

Under current law, limitations are placed on the individuals or organizations on which a local license tax may be levied. Localities are prohibited from imposing a local license tax on any person whose gross receipts from a business, profession or occupation subject to licensure are less than 1) \$100,000 for localities with populations greater than 50,000; and 2) \$50,000 for localities with populations of at least 25,000, but not greater than 50,000. Businesses with gross receipts that are in excess of that identified for the particular population may be subject to taxes at a different rate, depending upon the class under which the business falls. The following rates apply to the categories listed:

- Contractors: 16 cents per \$100 of gross receipts.
- Retail Sales: 20 cents per \$100 of gross receipts.
- Financial, real estate, professional services: 58 cents per \$100 of gross receipts.
- Repair, personal, and business services, and other services not listed: 36 cents per \$100 of gross receipts.

Proposal

This bill would authorize any county, city, or town, by ordinance, to exempt in whole or in part from the local license tax any new business for the first five years that the business operates in the locality. The bill would provide that a business that receives this exemption and ceases operation in the locality in which the exemption was extended within the first five years of operation would be liable for the license tax in the same amount as it would be if no exemption had been extended.

cc : Secretary of Finance

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