DEPARTMENT OF TAXATION
2009 Fiscal Impact Statement

1. Patron Thomas Davis Rust

2. Bill Number HB 2153

House of Origin:
X **Introduced**
____ **Substitute**
____ **Engrossed**

3. Committee House Finance

4. Title Business, Professional, and Occupational License Tax; Towns of Herndon and Leesburg

Second House:
____ **In Committee**
____ **Substitute**
____ **Enrolled**

5. Summary/Purpose:

This bill would allow the towns of Herndon and Leesburg to levy the Business, Professional, and Occupational License ("BPOL") Tax on any person, firm, or corporation engaged in the business of renting real property.

Currently only those localities imposing such a license tax on January 1, 1974 may levy the BPOL Tax on businesses renting real property other than hotels, motels, motor lodges, auto courts, tourist courts, travel trailer parks, lodging houses, rooming houses and boardinghouses.

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. To the extent that the towns of Herndon and Leesburg impose the BPOL Tax on businesses renting real property other than hotels, motels, motor lodges, auto courts, tourist courts, travel trailer parks, lodging houses, rooming houses and boardinghouses, this bill would provide a revenue gain to towns of Herndon and Leesburg.

9. Specific agency or political subdivisions affected:

Towns of Herndon and Leesburg

10. Technical amendment necessary: No.

11. Other comments:

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:

- $50 for any locality with a population of 25,000 and greater
- $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.

Currently no locality may impose a license fee or levy any license tax on any person, firm, or corporation engaged in the business of renting real property other than hotels, motels, motor lodges, auto courts, tourist courts, travel trailer parks, lodging houses, rooming houses and boardinghouses, unless it imposed such a license tax on January 1, 1974.

Proposal

This bill would allow the towns of Herndon and Leesburg to levy the Business, Professional, and Occupational License ("BPOL") Tax on any person, firm, or corporation engaged in the business of renting real property.

The effective date of this bill is not specified.

Similar Legislation

Senate Bill 1074 is identical to this bill.

House Bill 1975 and **Senate Bill 1058** would allow localities to provide incentives to encourage the use of green roofs, including reducing gross receipt taxes and permit fees, and streamlining the approval process for building permits.

House Bill 2205 would repeal the local BPOL taxes.

cc : Secretary of Finance

Date: 1/21/2009 AM
DLAS File Name: HB2153F161