

**DEPARTMENT OF TAXATION  
2009 Fiscal Impact Statement**

1. **Patron** Jeffrey M. Frederick

2. **Bill Number** HB 2205

3. **Committee** House Finance

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

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

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

**5. Summary/Purpose:**

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

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. This bill would have a substantial negative impact on local revenues. In Fiscal Year 2007, the BPOL Tax generated more than \$651.9 million for the counties, cities, and towns that imposed the tax. The BPOL Tax is imposed in all 39 cities, 54 of the 95 counties, and many of the towns of the Commonwealth.

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

All localities that impose the BPOL Tax

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.

### Proposal

This bill would repeal the local Business, Professional, and Occupational License (“BPOL”) Taxes.

The effective date of this bill is not specified.

### Similar Legislation

**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 2153** and **Senate Bill 1074** would allow the towns of Herndon and Leesburg levy the BPOL Tax on any person, firm, or corporation engaged in the business of renting real property.

**House Bill 2186** would make the local BPOL Tax coal and gas road improvement tax permanent.

**Senate Bill 1337** would provide that revenues from the local BPOL Tax coal and gas road improvement tax that are designated for water and sewer systems must be directly distributed to the local industrial development authority, local economic development authority, or the local public service authority.

cc : Secretary of Finance

Date: 1/17/2009 AM  
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