

**DEPARTMENT OF TAXATION
2010 Fiscal Impact Statement**

1. Patron Christopher K. Peace

3. Committee House Finance

4. Title Business, Professional, and Occupational License Tax; State Licensed Professions and Occupations

2. Bill Number HB 713

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would require that the Commissioner of the Revenue verify that every taxpayer seeking a local Business, Professional, and Occupational License who is subject to the state licensing requirements of the Department of Professional and Occupational Regulation has obtained the required state regulatory license.

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 taxpayers subject to state licensing requirements, who have not obtained such state regulatory license, are denied a Business, Professional, and Occupational License as a result of this bill and do not pay the local Business, Professional and Occupational License ("BPOL") tax and fee, there may be some decrease in local revenues. Under current law, a person who engages in business without obtaining a local business license or after having been refused a local business license is still required to pay the BPOL tax.

9. Specific agency or political subdivisions affected:

All localities.

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.

State Licensing Requirements

Currently, the Department of Professional and Occupational Regulation has over 300,000 regulants and 17 regulatory boards:

- Auctioneers Board
- Board for Architects, Professional Engineers, Land Surveyors, Certified Interior Designers and Landscape Architects
- Board for Barbers and Cosmetology
- Board for Branch Pilots
- Board for Contractors
- Board for Geology
- Board for Hearing Aid Specialists
- Board for Opticians
- Board for Professional Soil Scientists and Wetland Professionals
- Board for Waste Management Facility Operators

- Board for Waterworks and Wastewater Works Operators and Onsite Sewage System Professionals
- Cemetery Board
- Real Estate Appraiser Board
- Real Estate Board
- Fair Housing Board
- Virginia Board for Asbestos, Lead, and Home Inspectors
- Common Interest Community Board

Proposal

This bill would require that the Commissioner of the Revenue verify that every taxpayer seeking a local Business, Professional, and Occupational License who is subject to the state licensing requirements of the Department of Professional and Occupational Regulation has obtained such state regulatory license.

The effective date of this bill is not specified.

Similar Legislation

House Bill 57 would prohibit any locality from imposing the BPOL tax if it did not impose the tax on January 1, 2010 and would prohibit any locality from increasing its BPOL tax rates after January 1, 2010.

House Bill 110 would allow localities to impose the BPOL tax on the gross receipts or the Virginia taxable income of a business.

House Bill 364 would allow localities to require that businesses produce satisfactory evidence that delinquent local taxes owed by the applicant's business or businesses have been paid before it issues or renews a business license.

House Bill 409 would require that any contractor applying for or renewing a business license in any locality must furnish either i) satisfactory proof that he is duly licensed or certified, or ii) a written statement supported by an affidavit that he is not subject to licensure or certification.

Senate Bill 90 would exclude amounts paid to an independent registered representative as a commission on any sale or purchase of a security from the gross receipts of a security broker or security dealer for the purposes of the BPOL tax.

cc : Secretary of Finance

Date: 1/17/2010 AM
DLAS File Name: HB713F161