

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Roxann L. Robinson

3. **Committee** Senate Finance

4. **Title** BPOL Tax on Peddlers and Itinerant Merchants; Adhesive License Display

2. **Bill Number** HB 1626

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would require localities that impose a requirement that peddlers and itinerant merchants subject to the Business, Professional and Occupational License (BPOL) Tax display their license on their vehicle or temporary place of business to supply those peddlers and merchants with a decal, sticker, or adhesive label that satisfies the display requirement.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

7. Fiscal Impact. Not Available (See Line 8.)

8. Fiscal implications:

Administrative Costs Impact

Localities that impose a license tax and a license display requirement would be required to incur the costs of developing and supplying decals, stickers, or adhesive labels. These costs are not available.

Revenue Impact

This bill would have no impact on state or local revenues.

9. Specific agency or political subdivisions affected: All localities that impose a BPOL tax requirement on peddlers and itinerant merchants.

10. Technical amendment necessary: No.

11. Other comments:

Under current law, localities are authorized to impose license taxes upon local businesses. The 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 BPOL tax is currently imposed in all 39 cities, 48 of the 95 counties, and many of the towns of the Commonwealth.

The measure or basis of the BPOL tax generally is the gross receipts of the business. However, current law allows localities to assess the BPOL tax on either gross receipts or the Virginia taxable income of a business. 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 or 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.

The intent of the different rate limitations on different classes of businesses was to try and account for the different profitability levels of different types of businesses. Localities that imposed a higher rate structure on January 1, 1978 are allowed to continue to impose the tax at those rates.

Currently, localities in Virginia are authorized to impose a license tax upon peddlers and itinerant merchants not to exceed \$500 per year, except in the case of dealers in precious metals.

“Itinerant Merchants” are defined as any person who engages in, does, or transacts any temporary or transient business in any locality and who, for the purpose of carrying on such business, occupies any location for a period of less than one year.

“Peddler” is defined as any person who carries from place to place any goods, wares or merchandise and offers to sell or barter the same, or actually sells or barter the same. Peddlers at wholesale and peddlers who sell ice, wood, charcoal, meats, milk, butter, eggs, poultry, game, vegetables, fruits or other family supplies of a perishable nature or farm products grown or produced by them and not purchased by them for sale are exempt from the license tax.

Proposal

This bill would require localities that require peddlers and itinerant merchants to display licenses to supply those peddlers and itinerant merchants with adhesive decals, stickers, or other adhesive labels sufficient to satisfy the display requirement.

Similar Legislation

House Bill 1889 and **Senate Bill 1274** would broaden the BPOL exemption available to manufacturers for the privilege of manufacturing and selling goods, wares and merchandise at wholesale at the place of manufacture to include certain defense production businesses selling manufacturing, rebuilding, repair, and maintenance services (i) to the United States, or (ii) for which consent of the United States is required

cc : Secretary of Finance

Date: 1/27/2017 VB
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