

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Mark L. Keam

2. **Bill Number** HB 466

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Business Licenses; Certain Localities
Allowed to Waive Requirements

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would allow localities with a population of greater than 50,000 to waive the license requirements for businesses with gross receipts of \$200,000 or less.

Under current law, localities with a population of greater than 50,000 may waive the license requirements for businesses with gross receipts of less than \$100,000.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Not Available (See Line 8.)

8. Fiscal implications:

Localities that choose to exercise the authority granted by this bill may experience an unknown negative revenue impact as a result of fewer businesses paying license taxes or fees.

This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

All localities with populations of greater than 50,000 that impose a business license tax or fee.

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. As of 2017, the BPOL tax was imposed in all cities, 51 counties, and 118 towns within the Commonwealth. Localities with a population of greater than 50,000 may waive the business license requirements for business with annual gross receipts of less than \$100,000. This proposal would double that threshold to \$200,000, thereby increasing the number of businesses eligible for exemption.

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; or \$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; or 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.

Proposal

This bill would allow localities with a population of greater than 50,000 to waive the license requirements for businesses with gross receipts of \$200,000 or less.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

cc : Secretary of Finance

Date: 1/11/2020 VB
HB466F161