

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Michael J. Weibert

3. **Committee** House Finance

4. **Title** License Taxes; Prohibition on Rate
Increases; Prohibition on New Taxes

2. **Bill Number** HB 948

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide that any locality that levies a Business, Professional, and Occupational License (BPOL) Tax would be prohibited from increasing the rate of such tax above the rate imposed as of January 1, 2020.

The bill would also prohibit any locality that does not levy a BPOL tax from levying such a tax in the future.

If enacted during the Regular Session of the 2020 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:

Administrative Costs

This bill could result in unknown administrative costs to localities that impose a BPOL tax or fee. It would have no impact on state administrative costs.

Revenue Impact

This bill could have an unknown revenue impact on localities that impose a BPOL tax or fee. It would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No

11. Other comments:

Under current law, localities are authorized to impose a Business, Professional and Occupational License (BPOL) Tax upon local businesses. The BPOL tax is levied on the privilege of engaging in business at a definite place of business within a Virginia locality.

According to the Weldon Cooper Center for Public Service, in Fiscal Year 2017, the BPOL tax was levied in every city, 51 counties, and 118 towns.

The BPOL tax is generally imposed by the locality in which an entity has its “definite place of business,” defined in state law as an office or a location where the business has a regular and continuous course of dealing for thirty consecutive days or more.

For businesses not assessed a flat fee, 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.

A 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.

Generally, tax rates are limited based on business classification:

- For contracting, and persons constructing for their own account for sale, sixteen cents per \$100 of gross receipts;
- For retail sales, twenty cents per \$100 of gross receipts;
- For financial, real estate and professional services, fifty-eight cents per \$100 of gross receipts; and
- For repair, personal and business services, and all other businesses and occupations not specifically listed, thirty-six cents per \$100 of gross receipts

Additionally there are specific rate limitations applicable to license taxes on wholesalers, public service companies; carnivals; circuses and speedways; fortune-tellers; massage parlors; itinerant merchants or peddlers; permanent coliseums, arenas, or auditoriums having a maximum capacity in excess of 10,000 persons and open to the public; savings institutions and credit unions; photographers; and direct sellers.

Proposal

This bill would provide that any locality that levies a Business, Professional, and Occupational License (BPOL) Tax would be prohibited from increasing the rate of such tax above the rate imposed as of January 1, 2020.

The bill would also prohibit any locality that does not levy a BPOL Tax from levying such a tax in the future.

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

cc : Secretary of Finance

Date: 1/13/2020 SK
HB948F161