

DEPARTMENT OF TAXATION

2023 Fiscal Impact Statement

1. **Patron** Roxann L. Robinson

3. **Committee** House Finance

4. **Title** License Taxes; Deductions

2. **Bill Number** HB 2200

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would allow a deduction from gross receipts for purposes of local Business, Professional, and Occupational License (BPOL) taxes for any amount paid for anti-cancer drugs that are purchased by a medical practice and administered to its patients within a physician-patient relationship. This exclusion would apply only to anti-cancer drugs administered to a patient whose costs for such treatment are paid for by Medicare, Medicaid, or TRICARE.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July 1, 2023 for taxable years beginning on and after January 1, 2023.

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. This bill would have no impact on state administrative costs.

Revenue Impact

This bill could result in an unknown negative revenue impact to localities. This bill would have no impact on state revenues.

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

10. **Technical amendment necessary:** No

11. Other comments:

Local License Taxes

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. Virginia law provides for certain deductions from gross receipts.

Under current BPOL law, a deduction from gross receipts is allowed for:

- Any amount paid for computer hardware and software that are sold to a United States federal or state government entity provided that such property was purchased within two years of the sale to said entity by the original purchaser who shall have been contractually obligated at the time of purchase to resell such property to a state or federal government entity; and
- Any receipts attributable to business conducted in another state or foreign country in which the taxpayer is liable for an income or other tax based upon income.

Any locality may charge a license fee in an amount not to exceed:

- \$100 for any locality with a population greater than 50,000;
- \$50 for any locality with a population of 25,000 but no more than 50,000; and
- \$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; and
- 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; and
- Repair, personal and business services, and all other businesses - thirty six cents per \$100 of gross receipts.

Proposal

This bill would allow a deduction from gross receipts for purposes of local BPOL taxes for any amount paid for anti-cancer drugs that are purchased by a medical practice and administered to its patients within a physician-patient relationship. This exclusion would

apply only to anti-cancer drugs administered to a patient whose costs for such treatment are paid for by Medicare, Medicaid, or TRICARE.

If enacted during the regular session of the 2023 General Assembly, this bill would become effective July 1, 2023 for taxable years beginning on and after January 1, 2023.

cc : Secretary of Finance

Date: 1/25/2023 SK
HB2200F161