

September 30, 2002

Virginia Association of Counties and Virginia Municipal League

BPOL Information: Comments before the HJR 60 joint subcommittee studying and revising Virginia's tax code

- The BPOL tax generated more than \$459 million in local revenue in 2001.. (The merchants' capital tax generated about \$12 million.)
- Statewide, the BPOL tax accounted for more than 4 percent of all locally generated revenue.
- The extent to which individual localities rely on the BPOL tax varies greatly. It can account for as much as 25 percent of a locality's local revenue to less than 1 percent.
- The reliance of towns on the BPOL tax is especially high. This is because the real estate and personal property taxes a town imposes are in addition to the adjoining county's taxes (therefore, the property tax rates of towns tend to be nominal).
- Since the uniform ordinance was adopted, the administration of the BPOL tax has improved considerably. Taxpayers also have the ability to appeal a local tax official's decision to the state tax commissioner.
- The imposition of a BPOL tax exemption for businesses with gross receipts under certain thresholds has eliminated the tax for many small businesses.
- Persons and organizations supporting change in BPOL contend that the BPOL tax is unfair because it is based on gross receipts. The facts are:
 - The tax is a cost of doing business that is passed on to customers.
 - All other business-related expenses (rent, utilities, and insurance) must be paid regardless of whether a business makes a profit.
 - The cost to the local government for providing services (including public works, police and fire protection) does not vary according to the profitability of local businesses.

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