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Evaluation of Virginia's BPOL Tax and Industry Profitability

Virginia's retailers pay a higher percentage of profits in BPOL taxes than the industry average. Even so, there are widespread differences in effective BPOL tax rates among industries and among counties and cities in Virginia. Effective tax rates are defined as the percentage of BPOL taxes based on the percentage of total profits.

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1. Executive Summary

Does the BPOL tax need to be assessed based on a businesses' gross receipts or profits? Is a restructuring of tax policies needed in Virginia?

The business, professional and occupational license (BPOL) tax¹ has a long history in the Commonwealth of Virginia. According to Virginia law, localities are authorized to impose a local license tax on businesses and professionals operating in prescribed businesses within the local jurisdictions. There are widespread differences in terms of the effective² BPOL tax rates among industries and among counties and cities in Virginia. Consequently, the Virginia Retail Federation commissioned an evaluation of the BPOL tax structure with particular interest in seeing how BPOL compares to the current profit margins of all industry sectors in Virginia. This analysis considers the tax burden from two competing perspectives—tax rates levied against gross receipts versus total profits.

64% of Virginia localities collect BPOL taxes

According to the most recent (2008) survey conducted by the Weldon Cooper Center for Public Service at the University of Virginia, BPOL taxes were collected by all of the state's 39 cities and 47 of the 95 counties. Further, BPOL taxes accounted for 6.4% of all tax revenues for Virginia's cities and 4.0% for the counties in fiscal year 2007.

BPOL tax burdens vary greatly across industries

In Virginia, businesses are levied BPOL tax rates based on the following broad categories³ of businesses.⁴

1. Contractors
2. Retailers
3. Financial, real estate and professional services
4. Repair, personal and business services
5. Wholesale

In 2008, the average BPOL tax rate was \$0.17 per \$100 of gross receipts for retail businesses and \$0.14 per \$100 of gross receipts for contractors. That same year, BPOL was also \$0.26 per \$100 gross receipts for repair, personal, and business services. Of all business sectors, finance and retail estate have the highest average BPOL tax rates of \$0.39 per \$100 gross receipt.

¹ Tax systems and economics look at tax rates as a burden ratio that is usually explained on a percentage basis. The burden ratio is typically compared in terms of average rates. The average tax rate is the ratio of taxes paid to the tax base. Economists and others talk about tax rates from many methodologies. Tax rates can be statutory, average, marginal, effective, effective average, and effective marginal.

² A taxpayer's effective BPOL tax rate is defined as the amount of BPOL tax as a percentage of its profits.

³ The law does not specifically define these industry categories.

⁴ Some localities break out those five major categories into greater detail. For example, most localities have the same BPOL tax rates for financial, real estate and professional services; but some localities have different BPOL tax rates for financial, real estate and professional services.

The effective BPOL tax rate is used to measure tax burdens on businesses

BPOL taxes are commonly based on a percentage of the gross receipts of businesses. However, profits vary by business because of variations in cost structure. For that reason, the true burden of the BPOL tax must be translated into the effective rate which is defined as the BPOL tax as a percentage of a given businesses' profits.

The effective BPOL tax rate for all Virginia industries is estimated to be 0.9% of profits

Based on industry profit data for 2007, the average business in Virginia will pay 0.9% of their profits as BPOL tax which is 0.16% of their gross receipts. A comparison of all industries measured in 2-digit Northern America Industry Classification System (NAICS) codes, indicate that the professional and technical services industry has the highest effective BPOL tax rate at 13.99% of their profits.

BPOL tax rates are higher when profits drop, which makes them more burdensome during recessions

While nominal BPOL tax rates are fixed over the years without county legislative actions, the effective tax rates change based on economic conditions. In the current recession, where retail businesses see their profits drop or even go negative, they are still subject to BPOL taxes as they struggle to survive. Though industry profit data on 2008 and 2009 are not available, data from previous recessions indicate that effective BPOL tax rates will be higher as profits drop. For example, during the 2001 recession, the profit margin for retail merchants in Virginia was 4.4%. It rebounded to 15.7% and 13.9% in 2002 and 2003, but dropped back to 10.7% and 11.6% in 2004 and 2006.⁵

The Virginia retail sector has an effective tax rate of 1.56% of profits which is higher than the industry average

The effective BPOL rate for Virginia retailers is 0.66 percentage point higher than the industry average based on gross receipts. Statewide, the profit margin of the retail industry (11%) is lower than the state industry average (18%). Among retail industries, all but three are paying higher than the 0.9% state average. The electronics and appliance store industry has the highest effective BPOL— 18.27% of their profits. This is due to the extremely low profit margin (1%) of the industry. Motor vehicles and parts, health care personal care stores, as well as food and beverage stores also have high effective BPOL tax rates which are also due to their relatively low profit margins.

In 83% of the localities collecting BPOL taxes, retail businesses paid a higher effective BPOL tax than the industry average

Among the 87 localities collecting BPOL taxes, 72 (83%) retail businesses paid a higher effective BPOL tax than the industry average. In 10 of these localities, retail businesses paid a lower effective BPOL tax than that paid by the average business.

There is little research on the effect of BPOL taxes and local economic performance

Research linking Virginia's BPOL taxes and Virginia's local economic performance measured in terms of job creation, business expansion, and business climate currently does not exist. One recent national study on general

⁵ Source: IMPLAN Pro 2001, 2002, 2003, 2004, and 2006.

tax effects found that tax increases have “a large, rapid, and highly statistically significant negative effect on output.”⁶

Anecdotal information points to a negative impact on businesses from the current BPOL tax system

There are three main arguments against BPOL taxes within the business community. First, the BPOL tax is based on gross receipts, and it appears to be unfair without considering the burden on businesses when the tax is a derivative of total profits. For example, the BPOL tax is biased against new businesses, which typically experience losses in their early years. Also, BPOL taxes are administered by local jurisdictions, resulting in inconsistent rules and the lack of best practices make the business environment less welcoming in Virginia. As a counter argument, local governments in Virginia typically downplay the potential negative impacts of BPOL taxes and emphasize the positive effects from the additional tax revenues.

Alternatives to the current BPOL system range from making it more consistent to replacing it with other taxes

Improvements can be made to the current BPOL tax system to make it more consistent and uniformly applied across localities. Special treatment of BPOL taxes should be re-evaluated particularly regarding industry exemptions. Another alternative is to assess BPOL taxes based on profits rather than businesses' gross receipts. With this approach, one rate is applied for all businesses. BPOL tax reform can also be framed under the re-evaluation of the overall tax structure of Virginia. Since sales taxes are also based on the gross receipts, it is possible to remove the BPOL tax, while broadening the current sales tax to construction, finance, real estate, and professional service industries.

⁶ Source: The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks, by Christina Romer and David Romer, University of California, Berkeley, March 2007. This paper can be found at: <http://elsa.berkeley.edu/~cromer/RomerDraft307.pdf>.

2. Background

The business, professional and occupational license (BPOL) tax has a long history in the Commonwealth of Virginia. License taxes were one of the primary methods for obtaining revenues at the adoption of the federal constitution. Due to Virginia's share in the costs for the War of 1812, license tax rates were increased, and the types of businesses subject to taxation were expanded to cover the war costs. By 1850, the policy of levying a license tax on practically all well-established businesses and professionals was adopted. The tax was initially a flat fee that varied by type of business. This practice was changed in the 20th century to a system where taxes are based on the gross receipts of businesses.⁷ In 1996, the Code of Virginia § 58.1-3700 governing BPOL tax was significantly amended. The intent of the 1996 amendments, which are still in effect, was to help ensure a more uniform local administration of BPOL taxes.⁸

BPOL tax amounts are commonly based on gross receipts of businesses.⁹ Businesses are levied different tax rates based on which of the following five major categories their business falls under:¹⁰

1. Contractors
2. Retailers
3. Financial, real estate and professional services
4. Repair, personal and business services
5. Wholesale

The analysis is complicated by the fact that some counties differentiate the five categories with greater detail. For example, 80 localities use only the four categories shown above while six localities enforces nine different tax rates based on the following categories: contracting, retail, repair, personal service, business service, financial, real estate, professional service, and wholesale.

In 1978, the Virginia General Assembly established rate caps based on business classifications. These rate caps were set after a careful study that differentiated how profit margins vary for different types of businesses. By setting various tax rates based on profit margins, the implicit assumption is that businesses should pay equal taxes as a percentage of their profits, rather than gross receipts.

The rates' cap has not been revised in 30 years, and many localities charge the maximum tax rates¹¹ allowed by the General Assembly. Significant changes have occurred in the Virginia economy that has shifted the profit margins of various industries over the years. In 1999, a study by the staff members of the Senate Finance

⁷ The brief history of BPOL tax is obtained from a presentation by Sharon McDonald, Commissioner of Revenue, City of Norfolk.

⁸ Source: Guidelines for Business, Professional and Occupational License Tax, 2000. Virginia Department of Taxation.

⁹ All BPOL taxes are based on gross receipts except wholesale, where BPOL taxes can be based on either gross receipts or total profits.

¹⁰ The law does not specifically define these industry categories.

¹¹ The maximum BPOL tax rates allowed under the Virginia law are as follows: \$0.16 per \$100 of gross receipts for contracting; \$0.20 for retail; \$0.36 for repair, personal, and business services; and \$0.58 for financial, real estate, and professional services. For wholesale trade, the maximum rate allowed under the law is \$0.05 per \$100 of purchases. Source: Weldon Cooper Center for Public Policy, University of Virginia.

Committee concluded that the effective tax burden based on profit margin has changed such that BPOL taxes paid by retail businesses amounted to 10.5% of their profit, while that for construction was 4.2%.¹²

Ten years have passed since the last study was released and Virginia's economy has experienced further changes. The high-tech bubble in the late 1990s burst, yet the internet is playing a more important role in business operations. Manufacturing employment continues to decline in the state. Significant changes have occurred in the retail sector with big-box and discount stores becoming more popular. All these developments could affect the revenues and profits of various industries.

The Virginia Retail Federation (VRF) commissioned this study to evaluate the BPOL tax, as it relates to the current profit margins of all industries in Virginia. Specifically, VRF wants to determine if BPOL taxes for retailers in Virginia accurately reflect the retail industry's current profitability compared with that of all other industries.

The remainder of this report provides an analysis to answer the VRF question about BPOL taxes. Section 3 describes the approach Chmura uses for the analysis. Section 4 summarizes the current BPOL tax structure across Virginia. Section 5 presents a statewide analysis of average BPOL tax rates of major industry sectors, as well as detailed retail industries. A summarized analysis of effective tax rates for each locality makes up Section 6, with detailed tax information for each county and sector listed in the Appendix. Section 7 lays out the implications of this analysis and potential alternatives to the BPOL tax.

¹² Source: Virginia Retail Federation.

3. Methodology

In this analysis, the nominal BPOL tax rates are defined as the tax rates established by local governments. With the exception of wholesale trade for some localities, the nominal BPOL tax rates are represented by a percentage of the gross receipts of businesses. Effective tax rates are defined as the percentage of BPOL taxes based on the percentage of total profits. Due to the different cost structures of businesses within industry sectors, basing the tax on profits rather than gross receipts is a more equitable way to apply the tax burden to businesses. Three steps are necessary to create the information needed for this analysis. First, BPOL tax rates by industry sector and locality are obtained from the Weldon Cooper Center for Public Service at the University of Virginia for 2008.¹³ Second, industry profitability data are collected for all industries and all localities in the state by using data on gross receipts and profitability from the IMPLAN Pro database for 2007, the latest year available. The IMPLAN Pro model has detailed industries for 440 sectors that are translated into three-digit Northern America Industry Classification system (NAICS) industries. Those industries are grouped into the following 20 major industry sectors that correspond to the two-digit NAICS codes:

- Accommodation and Food Service
- Administrative and Waste Service
- Agriculture, forestry, fishing and hunting
- Arts, Entertainment and Recreation
- Construction
- Educational Services
- Finance and Insurance
- Government
- Healthcare and Social Assistance
- Information
- Management of Companies and Enterprises
- Manufacturing
- Mining
- Other Services
- Professional and Technical Service
- Real Estate and Rental and Leasing
- Retail Trade
- Transportation and Warehousing
- Utilities
- Wholesale Trade

Finally, Chmura collected BPOL tax rates for the following nine business sectors that are subject to BPOL taxes under Virginia law:

- Contractors
- Retail

¹³ Source: <http://www.coopercenter.org/publications/ECONOMICS/Local%20Taxes.php>.

- Wholesale
- Trade
- Financial
- Real estate
- Professional services
- Repair
- Personal and business services

Chmura assigned BPOL tax rates to businesses based on the published tax rates of each locality. Industries that are exempt from BPOL were assigned zero tax rates (examples of exempt businesses are manufacturing, banks, and funeral homes¹⁴). The *2000 BPOL Tax Guidelines* (latest available) prepared by the Virginia Department of Taxation was used to identify exempt businesses.

With BPOL rates, gross receipts, and profit margins, the effective tax rate for each sector in each county is calculated using the following formula where subscript i indicates the industry and subscript j indicates a different locality:

$$\text{Effective BPOL Tax Rate } (i, j) = \frac{\text{Nominal BPOL Tax Rate } (i, j)}{\text{Profit Margin of an Industry } (i, j)}$$

With effective tax rates calculated, this report examines the effects and alternative structures for BPOL taxes. Based on anecdotal evidence, as well as prior research, the report also discussed qualitatively the impact of BPOL on Virginia retail businesses in terms of job creation, business expansion, and the overall business climate. This study also identifies some potential alternatives that could be used to make the tax burden more equal across industries or localities.

¹⁴ Manufacturing is exempt because they pay machine tool taxes. Many other exemptions seem arbitrary, such as taxi, or funeral homes.

4. Summary of BPOL Tax in Virginia

According to Virginia law, localities are authorized to impose a local license tax on businesses, professions, and occupations operating within their jurisdictions unless they already levy a tax on the merchants' capital. The business, professional, and occupational license tax, commonly referred to as the BPOL tax, is sanctioned by Virginia Code §§ 58.1-3700 through 58.1-3735.

Based on a 2008 survey conducted by the Weldon Cooper Center for Public Service of the University of Virginia, the BPOL tax is used by all of the 39 cities and 47 of the 95 counties (Figure 4.1). In addition, the BPOL tax is also widely used by incorporated towns as 124 of the 149 respondent towns reported using the tax.¹⁵ This study focused on the city/county level BPOL taxes without considering town-level BPOL tax. The specific localities that impose the tax as well as the effective tax rate for retail and an average of all industries are listed in Appendix 1.

In fiscal year 2007, the BPOL tax accounted for 6.4% of tax revenues for cities, 4.0% for counties, and 12.2% for large towns.¹⁶ The importance of the BPOL tax on local government revenues is ranked after real estate tax, personal property tax, and sales tax.¹⁷

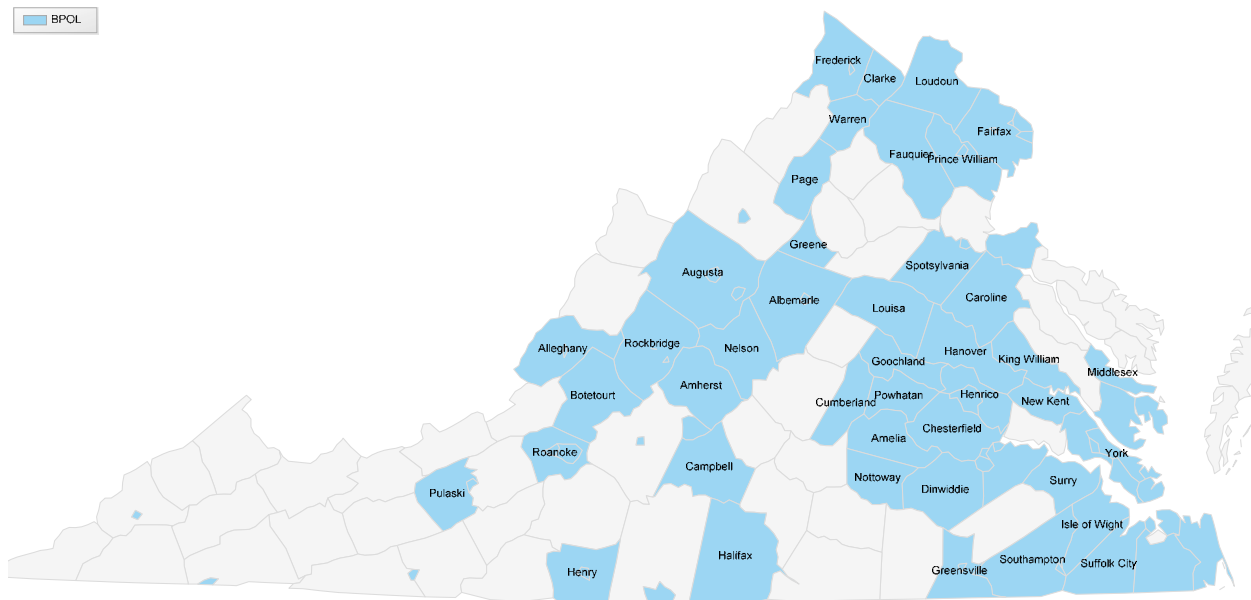


Figure 4.1: Localities with BPOL Tax (Blue) in Virginia

¹⁵ Source: Virginia Local Tax Rates, 2008, 27th Annual Edition, Weldon Cooper Center for Public Service, University of Virginia, In cooperation with the Virginia Association of Counties and the Virginia Municipal League.

¹⁶ Source: Virginia Local Tax Rates, 2008, 27th Annual Edition, Weldon Cooper Center for Public Service, University of Virginia, in cooperation with the Virginia Association of Counties and the Virginia Municipal League.

¹⁷ Localities also impose consumer utility, recordation taxes, meal, admission, and other minor taxes.

The most common method of assessing BPOL taxes is to apply the nominal BPOL tax rate on the gross receipts of a business.¹⁸ Many localities have also established a license tax threshold. Only those businesses whose gross receipts are above the threshold pay a tax rate based on gross receipts. Other localities have a fixed fee assigned for business licenses, regardless of the size of gross receipts of the business. And finally, there are also localities with both fixed fees and tax rates. This study considers the BPOL tax that is collected by applying a nominal BPOL tax rate on businesses' gross receipts.

Table 4.1 summarizes the average nominal BPOL tax rates by business sector. Most Virginia localities differentiate businesses into some variation of the following categories: contracting, retail, repair, personal services, business services, finance, real estate, and professional services. For example, the average nominal BPOL tax rate is \$0.17 per \$100 of gross receipts for a retail business and \$0.14 per \$100 of gross receipts for a contractor business. BPOL is \$0.26 per \$100 of gross receipts for repair businesses and personal and business services. Of all businesses, finance and professional services have the highest average nominal BPOL tax rates of \$0.39 per \$100 gross receipts.

| Table 4.1: BPOL Tax Summary in Virginia (2008) | | | | |
|--|---|---|---|--|
| Business Sector | Virginia Average (\$ per \$100 of Gross Receipts) | Virginia City Average (\$ per \$100 of Gross Receipts) | Virginia County Average (\$ per \$100 of Gross Receipts) | State Maximum Rate (\$ per \$100 of Gross Receipts) |
| Contracting | 0.14 | 0.16 | 0.13 | 0.25 |
| Retail | 0.17 | 0.20 | 0.16 | 0.25 |
| Repair | 0.26 | 0.34 | 0.21 | 0.36 |
| Personal Services | 0.26 | 0.35 | 0.22 | 0.36 |
| Business Services | 0.26 | 0.34 | 0.21 | 0.36 |
| Finance | 0.39 | 0.53 | 0.31 | 0.58 |
| Real Estate | 0.38 | 0.51 | 0.31 | 0.58 |
| Professional Services | 0.39 | 0.54 | 0.31 | 0.58 |
| Wholesale Gross Receipts ¹⁹ | 0.00 | 0.01 | 0.00 | 0.25 |
| Wholesale Gross Purchases | 0.07 | 0.14 | 0.04 | 0.31 |

Source: Weldon Cooper Center for Public Service, University of Virginia

On average, Virginia cities have higher BPOL tax rates than counties for all business categories. For example, the average BPOL tax rate is \$0.20 per \$100 of gross receipts for retail businesses in cities compared to \$0.16 per \$100 of gross receipts in the counties. The county/city difference is the largest for professional services businesses. These businesses pay an average tax rate 0.15 percentage points lower in Virginia counties than doing business in Virginia cities.

¹⁸ The exception is wholesale trade, where Virginia law allows the BPOL tax to be based either on gross receipts or gross purchase values of the wholesalers. Localities can choose either method. In Virginia, 59 localities base their wholesale BPOL tax on gross purchases, and 16 localities based on gross receipts.

¹⁹ Detailed BPOL tax information for each locality is listed in Appendix 1.

5. Statewide Effective BPOL Tax Analysis

The BPOL tax burden for all industries in Virginia are computed using state average nominal BPOL tax rates.²⁰ Based on the formula in Section 3, Chmura assigns the nominal BPOL tax rate to each industry and then calculates the profit margin of the industries based on IMPLAN 2007 data. If two industries are subject to the same nominal BPOL tax rate, the industries with a lower profit margin will effectively pay more BPOL taxes as a percentage of profits. All industries that are exempt from BPOL taxes (such as manufacturing) are assigned a tax rate of zero.²¹

Table 5.1 shows the effective BPOL tax rates for all industry sectors in Virginia. The industry average effective BPOL tax rate is estimated to be \$0.90 per \$100 profit, meaning an average business in Virginia will pay 0.9% of its profits as BPOL tax or 0.16% of its gross receipts. By comparison, sales tax is 5% of the gross receipts of retail businesses. Of all industries categorized by 2-digit NAICS, the professional and technical services industry has the highest effective BPOL tax rate at 13.99% of their profits. This is due to two reasons: the professional and technical services industry has the highest nominal BPOL tax rates among all industries and their profit margin is low—about 3% of gross receipts in 2007. In contrast, the real estate and rental and leasing industry also has a high nominal BPOL tax rate; however, it also has a high estimated profit margin of 52%, which brings down its effective BPOL tax rate to 0.71% of the profits which is just below the industry average.

| Table 5.1: Effective BPOL Tax Rate - Virginia | | | |
|---|--|---|-------------------------------|
| | Nominal BPOL Tax Rate (\$ per \$100 of Gross Receipts) | Effective BPOL Tax Rate (\$ per \$100 of Profits) | Estimated Profit Margin |
| Professional and Technical Service | 0.39 | 13.99 | 3% |
| Healthcare and Social Assistance | 0.30 | 3.89 | 8% |
| Arts, Entertainment and Recreation | 0.26 | 3.69 | 7% |
| Administrative and Waste Service | 0.26 | 3.06 | 8% |
| Transportation and Warehousing | 0.26 | 2.57 | 10% |
| Accommodation and Food Service | 0.26 | 2.53 | 10% |
| Management of Companies and Enterprises | 0.26 | 2.42 | 11% |
| Other Services | 0.16 | 2.22 | 7% |
| Construction | 0.14 | 2.16 | 6% |
| Retail Trade | 0.17 | 1.56 | 11% |
| Information | 0.18 | 0.77 | 24% |
| Real Estate and Rental and Leasing | 0.37 | 0.71 | 52% |
| Finance and Insurance | 0.13 | 0.32 | 40% |
| Wholesale Trade | 0.03 | 0.24 | 12% |
| Agriculture, forestry, fishing and hunting | 0.00 | 0.00 | 23% |
| Educational Services | 0.00 | 0.00 | 7% |
| Government | 0.00 | 0.00 | 18% |
| Manufacturing | 0.00 | 0.00 | 8% |
| Mining | 0.00 | 0.00 | 20% |
| Utilities | 0.00 | 0.00 | 35% |
| Industry Average | 0.16 | 0.90 | 18% |

Source: IMPLAN Pro 2007 and Chmura Economics & Analytics

²⁰ Section 6 will analyze effective BPOL taxes for all counties with the tax.

²¹ <http://www.co.middlesex.va.us/State%20Guidelines%20for%20BPOL.htm>

The retail sector has an effective tax rate of 1.56% which is higher than the industry average of 0.9% in Virginia. The effective BPOL for Virginia retailers is 0.66 percentage points higher than the industry average. Statewide, the profit margin for the retail industry (11%) is lower than the state industry average (18%). The nominal BPOL tax rates for retail are also higher than the industry average which results in a higher effective BPOL tax rate for retail. From an industry perspective, the retailers in Virginia have a higher effective tax burden than industries such as information, real estate and rental and leasing, finance and insurance, wholesale trade, manufacturing, mining, and utilities. Many industries that are exempt from BPOL taxes, such as utilities and mining, possess a higher profit margin than the retail industry in Virginia.

While nominal BPOL tax rates are fixed over the years without county legislative actions, the effective tax rates change based on economic conditions. Under the current recession, where retail businesses see their profits drop or even go negative, they are still subject to BPOL taxes as they struggle to survive. Though industry profit data on 2008 and 2009 are not available, data from previous recessions indicate that effective BPOL tax rates will be higher as profits drop. For example, during the 2001 recession, the profit margin for retail merchants in Virginia was 4.4%. It rebounded to 15.7% and 13.9% in 2002 and 2003, but dropped back to 10.7% and 11.6% in 2004 and 2006.²²

As shown in Table 5.2, the effective BPOL tax rate varies based on the type of retail business. Based on 2007 data, the industry average effective BPOL tax rate is estimated to be \$1.56 per \$100 of profit which means that the average retailer in Virginia will pay 1.56% of their profits in BPOL taxes. All but three retailers are paying higher effective BPOL taxes than the state average 0.9%. The electronics and appliance store industry has the highest effective BPOL tax rate at 18.27% of their profits, due to the extremely low profit margin (1%) of the industry. Motor vehicles and parts, health care personal care stores, and food and beverage stores also have very high effective BPOL tax rates due to their low profit margins. Three retailers (clothing and accessory, gasoline stations, and direct and electronic retails) have 20% or higher profit margins, and thus have lower effective BPOL tax rates. This is especially true for direct and electronic retailers that do not need to have a “bricks and motor” store front and employees. Consequently, their average profit margin is 37%.

| Table 5.2: Effective BPOL Tax Rate - Virginia Retail Industries | | | | |
|--|--|--|----------------------------|--|
| | Nominal BPOL Tax Rate (\$ per \$100 of Gross Receipts) | Effective BPOL Tax Rate (\$ per \$100 of Profit) | Estimated Profit Margin | |
| Electronics and appliances | 0.17 | 18.27 | 1% | |
| Motor vehicle and parts | 0.17 | 5.89 | 3% | |
| Health and personal care | 0.17 | 3.99 | 4% | |
| Food and beverage | 0.17 | 2.91 | 6% | |
| Miscellaneous | 0.17 | 2.55 | 7% | |
| General merchandise | 0.17 | 2.52 | 7% | |
| Sporting goods- hobby- book | 0.17 | 1.82 | 10% | |
| Furniture and home furnishing | 0.17 | 1.47 | 12% | |
| Building material and garden | 0.17 | 1.34 | 13% | |
| Clothing and clothing accessory | 0.17 | 0.88 | 20% | |
| Gasoline stations | 0.17 | 0.87 | 20% | |
| Direct and electronic retail sale | 0.17 | 0.47 | 37% | |
| Retail Average | 0.17 | 1.56 | 11% | |

Source: IMPLAN Pro 2007 and Chmura Economics & Analytics

²² Source: IMPLAN Pro 2001, 2002, 2003, 2004, and 2006.

6. Local Effective BPOL Tax Analysis

This section repeats the previous analysis for individual Virginia localities that levy BPOL taxes to provide the BPOL tax burden information at the city and county level. Using the formula in Section 3, Chmura assigns the nominal BPOL tax rate to each industry for each locality and then calculates the profit margin for the industries based on IMPLAN 2007 data. All industries which are exempt from the BPOL tax (such as manufacturing, banks, and public services) are assigned a tax rate of zero.²³

Table 6.1 presents the summarized information of effective BPOL tax burdens in all localities across Virginia.²⁴ In 83% of the 87 localities collecting BPOL taxes, retail businesses paid a higher effective BPOL tax than the industry average. In 5 of the localities, where a fixed BPOL fee is imposed and where the nominal BPOL tax rates were set to zero, retail businesses and other businesses have the same effective tax rates. Those counties are Accomack, Clarke, Cumberland, Nelson, and Powhatan. In 10 localities, retail businesses pay a lower effective BPOL than the average for all businesses. For example, in Amherst County, retailers do not have to pay BPOL tax; however, businesses such as professional services do have to pay the BPOL tax. Another example is Hanover County where only contractors are subject to BPOL taxes. Albemarle, Amelia, Goochland, Greenville, Louisa and New Kent, Norton, and Manassas Park also have this policy.

| Table 6.1: Comparison of Effective BPOL Tax Rate (Retail vs. Industry Average) | | |
|--|----------------------|---------------------|
| | Number of Localities | % of all Localities |
| Retail Higher than Average | 72 | 83% |
| Retail Same as Average | 5 | 6% |
| Retail Lower than Average | 10 | 11% |
| Source: Chmura Economics & Analytics | | |

Localities with the highest effective BPOL tax rate for the retail sector are mostly independent cities (Table 6.2). Retail businesses in Falls Church City pay 2.64% of their profit in BPOL taxes. In places like Bristol, the effective BPOL tax rate for retailers is 1.57 percentage points higher than the industry average compared to 0.66 percentage difference between retail and the industry average in the state. In such localities, the BPOL tax burden is even more biased against retail businesses than in other jurisdictions in Virginia. For localities where retailers have to pay BPOL taxes based on their gross receipts (excluding Louisa, Hanover, and Amherst), Goochland County has the lowest effective BPOL tax rate for retail business, 0.37% of their profits. The difference in effective BPOL tax rates for retailers ranging from highest to lowest for all localities is more than seven fold. This drastic regional difference should be addressed to create a more equitable competitive environment.

²³ <http://www.co.middlesex.va.us/State%20Guidelines%20for%20BPOL.htm>

²⁴ Appendix 2 lists locality-level effective BPOL tax rates for the industry average and the retail sector. Chmura has a spreadsheet with effective tax rates for all industry sectors by NAICS. It is made up of over 1,000 observations, and can be made available upon request.

| Table 6.2: Localities with Highest & Lowest Effective BPOL for Retail | | |
|--|--|---|
| | BPOL Tax Rate Average (% of Profit) | BPOL Tax Rate Retail (% of Profit) |
| Falls Church | 1.47 | 2.64 |
| Fairfax City | 0.90 | 2.61 |
| York | 0.84 | 2.44 |
| Covington | 1.24 | 2.34 |
| Waynesboro | 1.20 | 2.31 |
| Harrisonburg | 1.04 | 2.27 |
| Portsmouth | 0.92 | 2.24 |
| Bristol | 0.66 | 2.23 |
| Frederick | 0.86 | 2.23 |
| Newport News | 0.97 | 2.20 |
| Greensville | 0.90 | 0.71 |
| Bedford | 0.69 | 0.70 |
| Botetourt | 0.48 | 0.54 |
| Amelia | 0.51 | 0.50 |
| Nottoway | 0.20 | 0.49 |
| Middlesex | 0.32 | 0.46 |
| Goochland | 0.56 | 0.37 |
| Amherst | 0.58 | 0.00 |
| Hanover | 0.10 | 0.00 |
| Louisa | 0.04 | 0.00 |
| Virginia State Average | 0.90 | 1.56 |
| Note: Localities with only fixed BPOL fee is excluded | | |
| Source: Chmura Economics & Analytics | | |



7. BPOL Tax Effects and Alternatives

Parallel Analysis

Research linking Virginia's BPOL taxes and Virginia's local economic performance in terms of job creation, business expansion, and business climate does not exist. Moreover, studies that evaluate the effects of national tax changes and economic growth are rare. This national scarcity may be an indicator for the few publications around specific state taxes. The reason for the lack of conclusive studies is that measuring the effects of tax changes is very difficult, and there are many factors that could affect economic performance. In other words, it is not easy to isolate the effects of taxes, let alone a particular state tax such as Virginia BPOL taxes.

One recent study by Christina Romer and David Romer²⁵ provides evidence that tax increases have "a large, rapid, and highly statistically significant negative effect on output." In this study, output is measured in gross domestic product (GDP). In addition to fiscal shocks on output, they also found that tax increases have a large negative effect on investment. Regarding consumption, Romer and Romer found durable goods consumption was negatively affected by tax increases while little negative effect was seen on non-durable and services consumption. As a result, the tax increase reduced investments, which in turn reduced overall output (GDP). They also found that tax increases have increased the unemployment rate in the nation. Despite the lack of rigorous research on the exact effect of BPOL taxes, the Romer and Romer study seems to imply that any tax increase such as BPOL may also reduce business investment and job creation in a region.

Virginia's Position

In Virginia, debates regarding the effect of BPOL taxes typically feature two camps. The business community usually emphasizes its negative effects while local governments tend to downplay the impacts on the economy in order to protect one of their important revenue sources. For example, as early as 1995, the Tax Executive Institute filed a brief with the Virginia legislature supporting the repeal of BPOL taxes.²⁶ The brief summarized three main arguments against BPOL taxes.

1. The BPOL tax is based on gross receipts and is "blind" as to whether businesses have the ability to pay the tax. Moreover, profitability varies by business. The tax seems to be unfair without considering the differences between profits and gross receipts.
2. The BPOL tax is biased against new businesses, which typically experience losses in their early years. In addition, many states competing with Virginia for new businesses do not have BPOL taxes, and it could deter business expansions and relocations to Virginia. Unless the BPOL taxes are waived, Virginia is at a competitive disadvantage with some states.

BPOL taxes are collected by local jurisdictions. This can create inconsistent rules and prevent the adoption of best practices across regional economies. The end result can potentially make the business environment less

²⁵ Source: The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks, by Christina Romer and David Romer, University of California, Berkeley, March 2007. This paper can be found at: <http://elsa.berkeley.edu/~cromer/RomerDraft307.pdf>.

²⁶ Source: http://findarticles.com/p/articles/mi_m6552/is_n2_47/ai_16779554/?tag=content;col1

hospitable in Virginia. As recently as 2008, Stafford County adopted BPOL taxes to begin in 2010 with the same objections cited by businesses in Stafford.²⁷

Local governments in Virginia have downplayed the potential negative impacts from the BPOL tax. For example, in 2002 King William County considered implementing the BPOL tax. Therefore, it released a policy brief to discuss issues about tax burdens. The county's position was "that a BPOL tax would [not] put the County at a competitive disadvantage and therefore it should not be a deterrent to economic development. It further stated that "geographic location, transportation and utility infrastructure, labor and compatible zoning considerations are often the most critical industrial site selection considerations."²⁸ Similarly, as Stafford County adopted BPOL taxes in 2008, the Board of Supervisors said the additional tax revenues could be used to improve roads and schools while improving the overall business environment.²⁹

In 2001, a Joint Subcommittee was appointed by the Virginia General Assembly to study Virginia's state and local tax structure.³⁰ This study had a sweeping scope to look at all taxes of state and local governments in Virginia. During the 18-month study period, the subcommittee examined the current tax codes, heard testimonies from academics, businesses, and publics. Regarding Virginia BPOL taxes, the study reported that business groups such as the Virginia Chamber of Commerce, Retail Merchants Association of Greater Richmond, Retail Alliance of Hampton Roads, and Virginia Retail Merchants Association advocated repealing the BPOL taxes, and replacing it increased sales or corporate income taxes. The Virginia Association of Counties and Virginia Municipal League stated that the BPOL tax generated more than 4% of locally generated revenue in fiscal year 2001. In the end, faced with worsening economic conditions, the Joint Committee determined that a drastic change on Virginia tax codes was not prudent. It did not recommend any changes to BPOL tax.

Alternative Structures

Any changes to the current BPOL system should address the inherent issue of taxing gross receipts regardless of business profitability while maintaining the revenues for local governments' operations. Simply repealing BPOL taxes without finding additional revenue sources will likely be met with stiff resistance from local governments. A general improvement would be to make BPOL taxes more consistent and uniformly applied across localities. For example, a similar system to sales tax structures would allow the state to collect BPOL tax revenue and return them to localities. This approach can potentially reduce competition between Virginia jurisdictions for economic development expansion opportunities.

Similarly, businesses with multiple locations across the state may prefer a centralized location for tax matters rather than interacting with multiple local agencies. Section 6 presented the wide differences between BPOL taxes among the participating localities. Virginia could consider implementing uniform tax rates for all localities.

²⁷ For example, see "BPOL Tax Would Have Negative Effect," Stafford County Sun, June 27, 2008. Source: http://www2.staffordcountysun.com/scs/news/opinion/editorials/article/bpol_tax_would_have_negative_effect/17666/.

²⁸ Source: [http://www.kingwilliamcounty.us/An%20Interactive%20Guide/060104_0941%20\(E\)/Forms/BPOL_FAQs.pdf](http://www.kingwilliamcounty.us/An%20Interactive%20Guide/060104_0941%20(E)/Forms/BPOL_FAQs.pdf).

²⁹ Source: http://fredericksburg.com/News/FLS/2008/072008/07032008/392443/index_html?page=1

³⁰ Source: Report of the Joint Subcommittee to Study and Revise Virginia's State Tax Code (HJR 685/SJR 387, 2001; HJR 60, 2002). <http://dls.state.va.us/taxcode.htm>.

Modifying the structure for BPOL taxes in different industries should be carefully considered. Many Virginia industries are currently exempt from paying BPOL taxes. This study did not determine if non-exempt industries are subject to other local taxes that offset or equalize the total tax burden³¹ to those paying BPOL. The potential competitive advantages for BPOL exemption should be considered as well.

Removing exemptions may provide additional revenue for local governments while allowing reduced BPOL tax rates for all other businesses. This change in tax policy can benefit retail businesses in Virginia. Removing tax exemptions on other industries can allow lower BPOL tax rates for retail businesses.

Another option makes BPOL taxes dependent on profits rather than gross receipts. This approach applies one rate for all businesses and gives Virginia localities the authority to levy business income taxes. This move would also benefit retail businesses as most retail businesses have higher-than-average effective BPOL tax rates.

BPOL tax reform can also be framed under the reevaluation of the overall tax structure of Virginia. Since sales taxes are also based on gross receipts, it is possible to remove the BPOL tax while broadening the current sales tax to construction, finance, real estate, and professional service industries. This move will benefit retail businesses because it is subject to both sales and BPOL taxes. Assessing a sales tax in other services sectors while eliminating BPOL taxes will eliminate this double taxation. Moreover, it could also result in lowering the general sales tax rates, further benefiting retailers.

³¹ Total tax burden of a business is defined as the sum of all taxes (income tax, sales tax, property tax, etc) as a percentage of the profit of a business.

Appendix 1: Nominal BPOL Tax Rates by Locality

| Specific BPOL Classification Fees and Tax Rates, 2008 | | | | | | | | |
|---|---------------|-----------|--|-------------|---------|--|-----------------------------------|--|
| Tax Rate (per \$ 100) | | | | | | | | |
| Locality | Fee | Minimum | | Contracting | Retail | Repair, | Financial | Wholesale |
| | | Tax | | | | Personal, & | Real Estate & | Gross Receipts |
| | | | | | | Business Svcs. | Prof Svcs. | or Gross Purchases |
| Cities (Note: All Cities Responded to the survey.) | | | | | | | | |
| Alexandria | N/A | \$50 | | \$0.16 | \$0.20 | \$0.35 | \$0.35 F, RE \$0.58PR | \$0.05 P |
| Bedford | N/A | \$25 | | \$0.10 | \$0.125 | \$0.25 | \$0.50 | \$0.10 P |
| Bristol | \$30 | N/A | | \$0.16 | \$0.20 | \$0.20 | \$0.50 F \$0.20 PR, RE | Varies P |
| Buena Vista | N/A | \$30 | | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.05 P |
| Charlottesville | \$35 | N/A | | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.25/0.16 P |
| Chesapeake | \$50 | \$50 | | \$0.16 | \$0.20 | Up to \$500K=\$0.36 >\$500K=\$0.30 | Up to \$1M=\$0.58 >\$1M=\$0.12 | \$0.12 P |
| Colonial Heights | N/A | \$30 | | \$0.15 | \$0.20 | \$0.35 | \$0.57 | \$0.05 P |
| Covington | N/A | \$30 | | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.12 GR |
| Danville | \$50 | N/A | | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.15 P |
| Emporia | N/A | \$30 | | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.05 P |
| Fairfax | N/A | N/A | | \$0.16 | \$0.20 | \$0.27 | \$0.40 | \$0.05 P |
| Falls Church | N/A | \$30 | | \$0.16 | \$0.19 | \$0.36 | \$0.52 | \$0.08 GR |
| Franklin | N/A | N/A | | \$0.15 | \$0.20 | \$0.30 | \$0.58 | \$0.10 P |
| Fredericksburg | N/A | \$25 | | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.05 P |
| Galax | N/A | \$30 | | \$0.16 | \$0.20 | \$0.20 | \$0.58 | \$0.05 P |
| Hampton | \$30 | \$0 | | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.15 P |
| Harrisonburg | \$0/\$25/\$50 | \$80 | | \$0.16 | \$0.20 | \$0.20 | \$0.58 | \$0.17 GR |
| Hopewell | N/A | N/A | | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.25 GR |
| Lexington | N/A | \$30 | | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.05 P |
| Lynchburg | N/A | \$0 | | \$0.16 | \$0.20 | \$0.36 | \$0.58 | >\$100K=\$0.28 P |
| Manassas | N/A | N/A | | \$0.10 | \$0.12 | \$0.22 | \$0.35 F \$0.33 RE, PR | \$0.05 GR |
| Manassas Park | N/A | N/A | | \$0.10 | \$0.15 | \$0.18 | \$0.35 | >\$10K=\$0.05 P |
| Martinsville | N/A | \$30 | | \$0.10 | \$0.20 | \$0.36 | \$0.58 | \$0.05 P |
| Newport News | \$50 W | \$30/\$50 | | \$0.15 | \$0.20 | \$0.36 | \$0.58 | >\$10K=\$0.20 P |
| Norfolk | \$50 | N/A | | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.15 P |
| Norton | N/A | \$30 | | \$0.16 | \$0.20 | \$0.36 | \$0.50 | \$0.25 P |
| Petersburg | \$50 | \$50 | | \$0.16 | \$0.20 | \$0.32 | \$0.58 | <\$100K=\$0.25 P \$100K- \$200K=\$0.15 P >\$200K=\$0.10 P |

| Locality | Fee | Tax Rate (per \$ 100) | | | | | | |
|--|--|-----------------------|---------|-------------|------------------------------------|------------------------------------|--|---|
| | | Minimum | | Contracting | Retail | Repair, Personal, & Business Svcs. | Financial Real Estate & Prof Svcs. | Wholesale Gross Receipts or Gross Purchases |
| | | Tax | | | | | | |
| Poquoson | N/A | \$30 | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.05 P | |
| Portsmouth | N/A | \$50 | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.15 P | |
| Radford | \$0.75 | \$30.75 | \$0.125 | \$0.135 | \$0.14 | \$0.365 | \$0.07 P | |
| Richmond | \$30 | \$0 | \$0.19 | \$0.20 | \$0.36 | \$0.58 | \$0.22 P | |
| Roanoke | \$50 | N/A | \$0.14 | \$0.20 | \$0.36 | \$0.58 F, PR \$0.47 RE | \$0.26 P | |
| Salem | N/A | \$30 | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.13 P | |
| Staunton | N/A | \$30 | \$0.16 | \$0.20 | \$0.36 | \$0.40 | To \$10K=\$100 To \$50K=\$0.50 P Over \$50K=\$0.12 P | |
| Suffolk | \$30 | N/A | \$0.15 | \$0.20 | \$0.36 PE \$0.20 RP \$0.25 B | \$0.58 F, PR \$0.30 RE | \$0.09 P | |
| Virginia Beach | N/A | \$40 | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.12 P | |
| Waynesboro | N/A | \$30 | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.15 P | |
| Williamsburg | N/A | \$30 | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.05 GR | |
| Winchester | \$15 | N/A | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.20 P | |
| Counties (Note: All counties responded to the survey. Those that answered "not applicable" for all items in this table are excluded.) | | | | | | | | |
| Accomack | \$50 | N/A | N/A | N/A | N/A | N/A | N/A | |
| Albemarle | \$50 | N/A | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.05 GR | |
| Alleghany | \$15 | N/A | \$0.08 | \$0.10 | \$0.18 | \$0.29 | \$0.05 P | |
| Amelia | N/A | N/A | \$0.16 | \$0.05 | \$0.09 | \$0.15 | \$0.05 GR | |
| Amherst | \$10 | N/A | \$0.13 | N/A | \$0.31 | \$0.50 | N/A | |
| Arlington | N/A | N/A | \$0.16 | \$0.20 | \$0.35 | \$0.36 | \$0.08 P | |
| Augusta | N/A | N/A | \$0.16 | \$0.20 | \$0.30 | \$0.30 | \$0.05 GR | |
| Botetourt | N/A | \$10 | \$0.08 | \$0.10 | \$0.18 | \$0.29 | \$0.05 P | |
| Campbell | Varies | N/A | \$0.16 | \$0.20 | \$0.35 | \$0.50 | \$0.05 GR | |
| Caroline | N/A | \$30 | \$0.12 | \$0.15 | \$0.19 | \$0.49 | N/A | |
| Chesterfield | N/A | \$10 | \$0.14 | \$0.19 | \$0.20 | \$0.20 | \$0.10 P | |
| Clarke | \$30 | N/A | N/A | N/A | N/A | N/A | N/A | |
| Cumberland | N/A | \$30 | \$0.05 | \$0.05 | \$0.05 | \$0.10 | \$0.05 GR | |
| Dinwiddie | N/A | \$30 | \$0.14 | \$0.16 | \$0.30 | \$0.45 | \$0.05 GR | |
| Fairfax | \$10K-\$50K=\$30 >\$50K-\$100K=\$50 | N/A | \$0.11 | \$0.17 | \$0.19 | \$0.31 | \$0.04 P | |
| Fauquier | N/A | N/A | \$0.085 | \$0.10 | \$0.19 | \$0.2975 | \$0.04 P | |
| Frederick | \$30/\$50 | N/A | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.05 P | |
| Gloucester | \$50 | N/A | \$0.10 | \$0.10 | \$0.10 | \$0.12 | \$0.05 P | |
| Goochland | N/A | \$25 | \$0.10 | \$0.05 | \$0.10/ | \$0.15 | \$0.02 P | |

| Tax Rate (per \$ 100) | | | | | | | |
|-----------------------|--|-------------|--------------------|----------------------|------------------------------------|------------------------------------|---|
| Locality | Fee | Minimum Tax | Contracting | Retail | Repair, Personal, & Business Svcs. | Financial Real Estate & Prof Svcs. | Wholesale Gross Receipts or Gross Purchases |
| | | | | | \$0.05R | | |
| Greene | N/A | \$20 | \$0.12 | \$0.15 | \$0.27 | \$0.44 | \$0.04 P |
| Greensville | N/A | \$30 | \$0.16 | \$0.16 | \$0.30 | \$0.40 | \$0.05 GR |
| Halifax | \$30 | N/A | \$0.08 | \$0.10 | \$0.18 | \$0.29 | N/A |
| Hanover | N/A | N/A | \$0.10 | N/A | N/A | N/A | Varies P |
| Henrico | N/A | \$30 | \$0.15 | \$0.20 | \$0.20 | \$0.20 | N/A |
| Henry | N/A | \$30 | >\$100K= \$0.25 | >\$100K= \$0.15 | >\$100K= \$0.15 | >\$100K= \$0.25 | |
| Isle of Wight | N/A | \$30 | \$0.10 | \$0.12 | \$0.20 | \$0.35 | \$0.05 P |
| James City | \$30/\$50 | N/A | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.05 P |
| King George | N/A | \$25 | \$0.12 | \$0.10 | \$0.10 | \$0.25 | \$0.05 P |
| King William | N/A | \$30 | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.05 GR |
| Loudoun | \$30 | N/A | \$0.13 | \$0.17 | \$0.16R/\$0.23 PE \$0.17 B | \$0.33 | \$0.05 P |
| Louisa | \$25 | \$5 | \$0.16 | N/A | N/A | N/A | N/A |
| Mathews | \$30 | N/A | \$0.05 | \$0.15 | \$0.05 | \$0.15 | \$0.05 P |
| Middlesex | \$30 | \$30 | \$0.05 | \$0.07 | \$0.12 | \$0.19 | \$0.02 P |
| Nelson | \$30 | N/A | N/A | N/A | N/A | N/A | N/A |
| New Kent | N/A | \$30 | \$0.14 | \$0.18 | \$0.32 | \$0.52 | \$0.05 P |
| Nottoway | \$10 | N/A | \$0.04 | \$0.05 | \$0.09 | \$0.15 | \$0.02 P |
| Page | N/A | \$20 | \$0.10 | \$0.10 | \$0.20 | \$0.30 | \$0.05 GR |
| Powhatan | \$50 | N/A | N/A | N/A | N/A | N/A | N/A |
| Prince George | \$1,001- \$25K=\$25 \$25K- \$50K=\$50 | N/A | \$0.16 | \$0.15 | \$0.20 | \$0.20 | N/A |
| Prince William | N/A | \$0 | \$0.13 | \$0.17 | \$0.21 | \$0.33 | \$0.05 P |
| Pulaski | N/A | \$30 | \$0.14 | \$0.20 | \$0.15 | \$0.07 | \$0.05 P |
| Roanoke | <\$100K=\$50 | N/A | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.05 P |
| Rockbridge | \$30 | N/A | \$0.10 | \$0.13 | \$0.23 | \$0.38 | \$0.05 P |
| Southampton | N/A | \$30 | \$0.10 | \$0.25 ³² | \$0.25 | \$0.58 | \$0.05 P |
| Spotsylvania | N/A | N/A | \$0.08 | \$0.10 | \$0.18 | \$0.29 | \$0.02 P |
| Surry | N/A | \$30 | \$0.10 | \$0.15 | \$0.20 | \$0.30 | \$0.05 GR |
| Warren | Varies | \$0 | \$0.11 | \$0.14 | \$0.25 | \$0.39 | \$0.03P |

³² This is the number as it was reported to Weldon Cooper Center in University of Virginia. Calls have been made to the Southampton County seeking clarifications.

| | | | | | | | |
|---------------------|-----------------|--------------|--------------------|---------------|--------------|----------------------|------------------|
| York | N/A | N/A | \$0.16 | \$0.20 | \$0.36 | \$0.58 | \$0.05 P |
| B: Business Service | C: Contractors | F: Financial | GR: Gross Receipts | M: Mail Order | P: Purchases | PE: Personal Service | PR: Professional |
| R: Retail | RE: Real Estate | RP: Repair | W: Wholesale | K: Thousand | | | |

Source: Weldon Cooper Center for Public Service, University of Virginia

Appendix 2: Effective BPOL Tax Rates by Locality

| Effective BPOL Tax Rates | | |
|--------------------------|-----------------------------------|----------------------|
| | Industry Average (% of Profit) | Retail (% of Profit) |
| Accomack | 0.00 | 0.00 |
| Albemarle | 1.29 | 1.23 |
| Alexandria | 1.04 | 1.69 |
| Alleghany | 0.69 | 0.94 |
| Amelia | 0.51 | 0.50 |
| Amherst | 0.58 | 0.00 |
| Arlington | 0.99 | 2.10 |
| Augusta | 0.60 | 1.48 |
| Bedford | 0.69 | 0.70 |
| Botetourt | 0.48 | 0.54 |
| Bristol | 0.66 | 2.23 |
| Buena Vista | 0.75 | 1.27 |
| Campbell | 0.78 | 2.16 |
| Caroline | 0.46 | 0.88 |
| Charlottesville | 1.23 | 1.81 |
| Chesapeake | 1.12 | 1.55 |
| Chesterfield | 0.60 | 1.73 |
| Clarke | 0.00 | 0.00 |
| Colonial Heights | 0.90 | 1.56 |
| Covington | 1.24 | 2.34 |
| Cumberland | 0.00 | 0.00 |
| Danville | 1.21 | 2.08 |
| Dinwiddie | 0.50 | 1.59 |
| Emporia | 1.05 | 1.98 |
| Fairfax | 1.06 | 1.71 |
| Fairfax City | 0.90 | 2.61 |
| Falls Church | 1.47 | 2.64 |
| Fauquier | 0.73 | 0.95 |
| Franklin City | 0.98 | 2.00 |
| Frederick | 0.86 | 2.23 |
| Fredericksburg City | 1.49 | 1.93 |
| Galax | 1.03 | 1.64 |
| Gloucester | 0.34 | 0.88 |
| Goochland | 0.56 | 0.37 |
| Greene | 0.95 | 1.17 |
| Greensville | 0.90 | 0.71 |
| Halifax | 0.41 | 0.95 |
| Hampton | 0.96 | 1.42 |
| Hanover | 0.10 | 0.00 |
| Harrisonburg | 1.04 | 2.27 |

| Effective BPOL Tax Rates | | |
|-------------------------------|-------------|-------------|
| Henrico | 0.69 | 1.89 |
| Henry | 0.46 | 1.20 |
| Hopewell | 0.60 | 1.55 |
| Isle of Wight | 0.55 | 1.11 |
| James City | 1.19 | 1.53 |
| King George | 0.61 | 0.92 |
| King William | 0.61 | 1.89 |
| Lexington | 1.19 | 2.09 |
| Loudoun | 0.92 | 1.72 |
| Louisa | 0.04 | 0.00 |
| Lynchburg | 0.93 | 1.23 |
| Manassas | 0.96 | 1.55 |
| Manassas Park City | 1.06 | 1.00 |
| Martinsville | 1.06 | 1.20 |
| Mathews | 0.27 | 1.32 |
| Middlesex | 0.32 | 0.46 |
| Nelson | 0.00 | 0.00 |
| New Kent | 1.36 | 1.27 |
| Newport News | 0.97 | 2.20 |
| Norfolk | 0.61 | 1.90 |
| Norton | 1.54 | 1.28 |
| Nottoway | 0.20 | 0.49 |
| Page | 0.51 | 1.02 |
| Petersburg | 0.82 | 1.97 |
| Poquoson | 1.33 | 1.76 |
| Portsmouth | 0.92 | 2.24 |
| Powhatan | 0.00 | 0.00 |
| Prince George | 0.20 | 0.74 |
| Prince William | 0.67 | 1.70 |
| Pulaski | 0.42 | 1.95 |
| Radford | 0.42 | 1.09 |
| Richmond City | 0.96 | 1.56 |
| Roanoke | 1.41 | 2.01 |
| Roanoke City | 1.30 | 1.49 |
| Rockbridge | 0.58 | 0.87 |
| Salem | 1.00 | 1.28 |
| Southampton | 0.66 | 1.63 |
| Spotsylvania | 0.65 | 1.10 |
| Staunton | 0.79 | 1.89 |
| Suffolk | 0.86 | 1.94 |
| Virginia Beach | 1.12 | 1.62 |
| Warren | 0.81 | 1.39 |
| Waynesboro | 1.20 | 2.31 |
| Williamsburg | 1.48 | 1.67 |
| Winchester | 1.29 | 2.05 |
| York | 0.84 | 2.44 |
| Virginia State Average | 0.90 | 1.56 |

Source: Chmura Economics & Analytics

