

# Commission on Local Government

## Estimate of Local Fiscal Impact

2022 General Assembly Session

**Bill:** HB 1084

**Special Session:**

**Patron:** Leftwich

**Date:** 1/26/2022

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

### Bill Summary:

Local license taxes; limitation of authority. Prohibits a locality from imposing a license tax on a director of a bank or trust company that is subject to the bank franchise tax.

### Executive Summary:

Localities have evaluated a negative fiscal impact ranging from \$0 - \$4.0 million; however, the maximum fiscal impact is for the removal of all Business, Professional and Occupational License tax revenue, not just for exempting revenues subject to the bank franchise tax.

Most localities reported that the bill would produce no fiscal impact, as their locality would lose either minimal revenue, and/or did not impose the business license tax on those subject to bank franchise taxation. The localities that did report a negative fiscal impact indicated the costs would stem from loss of BPOL tax revenue; however, those localities reported minor negative fiscal impacts.

### Local Analysis:

**Locality:** Amherst

**Estimated Fiscal Impact:** \$0.00

N/A

**Locality:** Augusta County

**Estimated Fiscal Impact:** \$0.00

Banks pay a franchise tax in lieu of a business license tax per state code. Why would an individual be exempted from a business license tax if the tax is not related to specifically to the bank at which they are the director? Is this a way to get out of paying a tax on a second business? Or is it an attempt to clarify that a locality cannot charge a business license tax to the director for their work at the bank (and therefore the bank pays the business license tax also)?

The director of a bank should not be paying business license on the bank itself, so therefore no loss of revenue.

**Locality:** Chesterfield County

**Estimated Fiscal Impact:** \$94,000.00

This bill would cause a strain on local resources by limiting Business, Professional and Occupational License tax collections in Chesterfield County. Using a general assumed revenue of \$1 million, with a 0.0020 BPOL factor in Chesterfield applied to financial institutions for the 47 FDIC insured banks in Chesterfield, the assumed negative impact on the county is approximately \$94,000.

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**Locality:** City of Alexandria..

**Estimated Fiscal Impact:** \$0.00

No Impact. As written, this proposed bill appears to address a unique BPOL issue in the Chesapeake area. The City of Alexandria does not tax banks or bank directors for BPOL.

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**Locality:** City of Danville

**Estimated Fiscal Impact:** \$0.00

Commissioner of Revenue estimates little or no impact.

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**Locality:** City of Manassas

**Estimated Fiscal Impact:** \$0.00

The City of Manassas does not levy a license tax on a director of a bank or trust company. There is no fiscal impact.

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**Locality:** City of Roanoke

**Estimated Fiscal Impact:** \$0.00

The City of Roanoke currently does not tax Insurance Agents or Bank Directors on related gross receipts.

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**Locality:** City of Virginia Beach

**Estimated Fiscal Impact:** \$0.00

Impact, if any, would be impossible to calculate and negligible.

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**Locality:** City of Winchester

**Estimated Fiscal Impact:** \$0.00

It's unknown on the revenue reduction as we dont bill them now.

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**Locality:** County of Albemarle

**Estimated Fiscal Impact:** \$0.00

Albemarle County currently does not have any bank directors with a business license. Fiscal impact for this bill would be \$0.

**Locality:** County of Bland

**Estimated Fiscal Impact:** \$0.00

No impact on the locality is expected at this time.

**Locality:** County of Mecklenburg

**Estimated Fiscal Impact:** \$0.00

There may be some very minor cost related to revenue lost if the tax is currently being applied, but it would be impossible to determine the residence of all directors of banks or trust companies. Furthermore, most subjects are taxed via the bank franchise tax, so this would not eliminate revenue in toto.

**Locality:** Norfolk

**Estimated Fiscal Impact:** \$4,000,000.00

The Business, Professional, and Occupational, License (BPOL) tax is a significant revenue source for the City of Norfolk. It is the city's fifth largest source of revenue after real estate, personal property, sales, and food and beverage taxes. Any changes that negatively impact the BPOL tax would result in the city altering fee structures, loss of positions, loss of services, or other means to account for the loss of revenue that would occur.

**Locality:** Nottoway County

**Estimated Fiscal Impact:** \$0.00

I don't believe we currently have this situation in Nottoway

**Locality:** Prince George County

**Estimated Fiscal Impact:** \$325.00

This proposed legislation has only a minor fiscal impact of approximately \$325 annually for Prince George County.

**Locality:** Rappahannock County

**Estimated Fiscal Impact:** \$1.00

No fiscal impact in Rappahannock County as the county does not impose BPOL taxes due to our very rural setting with very few establishments that would be subject to the tax.

**Locality:** Richmond County

**Estimated Fiscal Impact:** \$0.00

n/a

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**Locality:** Town of Blacksburg

**Estimated Fiscal Impact:** \$0.00

The Town does not impose a license tax on a director of a bank or trust company that is subject to the bank franchise tax.

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**Locality:** Town of Leesburg

**Estimated Fiscal Impact:** \$0.00

The Town of Leesburg makes no such assessments on directors of the banks. We just impose the Bank Franchise Tax.

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**Locality:** Town of Luray

**Estimated Fiscal Impact:** \$20,000.00

Imposition of any limitation on local taxing ability should be offset by the Commonwealth.

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**Locality:** Town of Marion.

**Estimated Fiscal Impact:** \$200,000.00

Current bank franchise tax

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**Locality:** Town of Scottsville

**Estimated Fiscal Impact:** \$0.00

No known fiscal impact upon the Town of Scottsville or similarly situated small towns.

Like many towns, we have main street banks and a bank franchise tax, which is an important source of stable, core revenue in the general fund.

The tax is levied on banking corporations. As I understand it, the days of personal liability for banking businesses are long gone. Excluding bank directors for personal liability to pay the tax seems like no threat to the Town.

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**Locality:** Wise County

**Estimated Fiscal Impact:** \$0.00

From what I was reading on the bill, if it has any effect it should be minimal. Not sure what kind of license tax we would have, but I wouldn't think we have that many local bank board members any longer in the county.

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