

# MEMORANDUM



**To:** City Council  
**From:** Wynter C. Benda  
**Date:** April 27, 2023  
**About:** Business Professional and Occupational License (BPOL) Update

On October 25, 2022 City Council approved a resolution that eliminated all Business Professional and Occupational License (BPOL) requirements for businesses that generate less than \$150,000 in gross receipts annually. This change is effective on the 2023 tax bills and eliminates the tax bills for more than 1,000 businesses in the city.

The Budget and Performance Expectations of the City Manager document that I received on March 27<sup>th</sup> included an expectation that, as part of the City’s FY 2024 Operating Budget, the BPOL tax should be further adjusted to “Lower Business license tax rates to account for the first \$150K of gross receipts.” Staff has worked with the Commissioner of the Revenue and the City Attorney to determine how we would operationalize this strategy.

The Commissioner of the Revenue has estimated that if we were able to exempt the first \$150K of gross sales from taxation for businesses with gross receipts in excess of this amount, it would result in a revenue loss of about \$650K, a number that we have assumed in subsequent budget reconciliation.

The City Attorney has researched the relevant State code sections. § 58.1-3703.1 is the code section we used to waive license requirements for businesses with gross receipts of less than \$150K. It states:

*the governing body of any county, city, or town with a population greater than 50,000 may waive the license requirements provided herein for businesses with gross receipts of \$200,000 or less.*

While this allows us to waive the license requirement, there is no provision in the code that will allow us to exempt any portion of gross receipts from taxation for businesses that are required to file for a business license – therefore, it is not legally possible to implement the proposed strategy.

As an alternative measure, City Council may choose to raise the limit for businesses subject to license requirements to \$200,000 in gross receipts, helping even more businesses and reducing revenue to the City by about \$75,000.

This change, will allow us to reduce department service level cuts by approximately \$575,000 in the proposed FY 2024 budget. I have instructed staff to itemize this list, which we will share with you for review prior to Tuesday’s reconciliation work session.