

Revenue Impact Analysis: ALTERNATIVE BPOL TAXATION

“ANY SURPLUS REVENUES ABOVE THE PROJECT FY 2022 BUSINESS, PROFESSIONAL, AND OCCUPATIONAL LICENSE TAX REVENUES SHALL BE INVESTED IN A FUTURE RATE REDUCTION COMMENSURATE WITH THE ANNUAL SURPLUS UNTIL THE RATE IS 20 CENTS PER 100 DOLLARS OF GROSS RECEIPTS FOR ‘FINANCIAL, REAL ESTATE & PROFESSIONAL SERVICES,’ AND ‘PERSONAL OR BUSINESS SERVICES.’”



BASELINE ASSUMPTIONS

SURPLUS REDUCTION TO \$0.20

1. The future mix for BPOL revenue will reflect the BPOL returns for FY21;
2. The BPOL surplus amounts in future fiscal years will be equivalent to the average surplus amounts of FY18-20 (\$1,392,374) over amended budget amounts;
 - This results in an annual rounded assumed rate of reduction of:
 - \$0.04 for Financial, Real Estate & Professional Services which would reach (overshoot) the \$0.20 target in FY2032
 - \$0.03 for Personal or Business Services which would reach (overshoot) the \$0.20 target in FY2029

BASELINE ASSUMPTIONS

STATUS QUO BPOL RATES

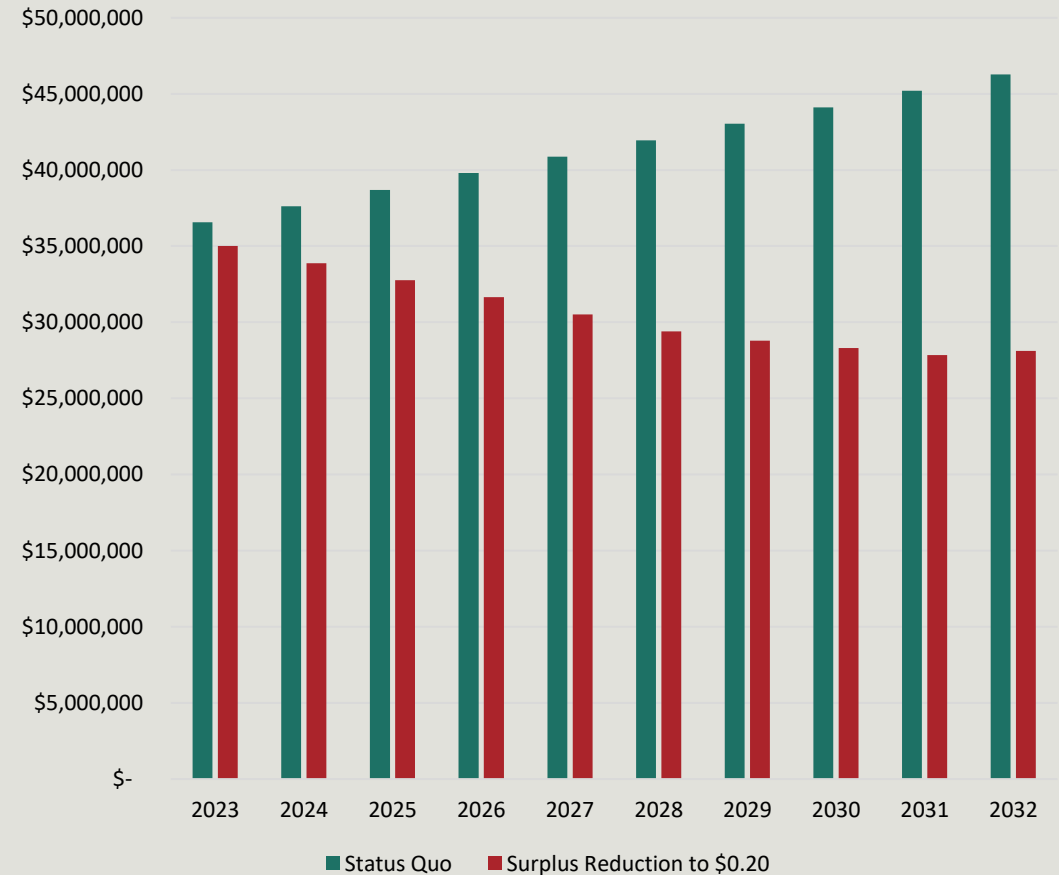
1. The future mix for BPOL revenue will reflect the BPOL returns for FY21;
2. Utilizes Finance 5-Year revenue forecasts through FY26;
3. Utilizes linear trend forecast for out years FY27-2032;



COMPARATIVE REVENUE ANALYSIS

STATUS QUO VS. SURPLUS REDUCTIONS

- Surplus reduction strategy will lead to a total reduction of \$108M in BPOL Revenues over the observed period;
- Not only will the reduced amount of BPOL revenues not be available to fund essential city services, *any* surplus amount will not contribute to EOY fund balances;



ALTERNATIVE REVENUE ANALYSIS

RAISING THE BPOL TAX FLOOR

- Will target and strengthen small business development and increase those business who pay a flat fee of \$30.00 for BPOL from 47.9% to 61.3%;
- Flat rate tax floor would be increased in \$100K increments to \$500K from the current floor of \$100K from FY23 through FY26.
- Would only lead to \$11M reduction in revenue while keeping BPOL taxes to \$30 via flat fee for 1,560+ City of Richmond businesses regardless of BPOL category.



ADDITIONAL CONSIDERATIONS

THE BIGGER PICTURE

1. A \$108M reduction in tax with the timing of \$100M+ in Federal revenue under ARP may raise cause for concern for the US Treasury;
2. A large reduction in BPOL revenues unless offset by other revenue streams will have deleterious impacts to city debt capacity;
 - These debt capacity impacts *cannot* be offset by expense reductions
3. Individual BPOL tax breaks can be given to individual business for business attraction as opposed to reducing BPOL revenues across the board.