

INTRODUCED: February 14, 2022

AN ORDINANCE No. 2022-032

To amend City Code §§ 26-871, concerning the establishment of annual license taxes, and 26-873, concerning exemptions to license taxes, to increase the threshold for business, professional and occupational license taxes from \$100,000.00 to \$250,000.00.

Patrons – Mayor Stoney, Mr. Addison, Vice President Robertson and Ms. Lynch

Approved as to form and legality
by the City Attorney

PUBLIC HEARING: FEB 28 2022 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That sections 26-871 and 26-873 of the Code of the City of Richmond (2020) be and hereby are **amended** as follows:

Sec. 26-871. Established.

Except as may be specifically otherwise provided by this article or other law, the annual license tax imposed under this article shall be \$30.00 for any person with gross receipts (or purchases for wholesale merchants) of \$5,000.00 or more but less than [~~\$100,000.00~~] \$250,000.00 in a given license year. Any person with gross receipts greater than [~~\$100,000.00~~] \$250,000.00

AYES: 9 NOES: 0 ABSTAIN: _____

ADOPTED: FEB 28 2022 REJECTED: _____ STRICKEN: _____

will be liable for business license taxes at the applicable rate set forth as follows for the class of enterprise listed or as otherwise provided in this article:

(1) For contractors and persons constructing for their own account for sale, \$0.19 per \$100.00 of gross receipts.

(2) For retailers, \$0.20 per \$100.00 of gross receipts.

(3) For financial, real estate and professional services, \$0.58 per \$100.00 of gross receipts.

(4) For repair, personal and business services and all other businesses and occupations not specifically listed or exempted in this article or otherwise by law, \$0.36 per \$100.00 of gross receipts.

(5) For wholesalers, \$0.22 per \$100.00 of purchases.

(6) For fortunetellers, clairvoyants and practitioners of palmistry, \$0.36 per \$100.00 of gross receipts, provided that such tax shall not exceed \$1,000.00 per year.

(7) For itinerant merchants, \$500.00 per year; or peddlers, \$225.00 per year.

(8) For dealers in precious metals, \$1,000.00 per year, as provided in Section 26-965.

(9) For savings and loan associations and credit unions, \$50.00 per year.

(10) For direct sellers, as defined in Code of Virginia, § 58.1-3719.1, with total annual sales in excess of \$4,000.00, \$0.20 per \$100.00 of total annual retail sales or \$0.05 per \$100.00 of total annual wholesale sales, whichever is applicable.

(11) For biotechnology or biomedical research and development businesses, \$0.30 per \$100.00 of gross receipts.

(12) For hospitals, medical care centers and emergency care units, \$0.36 per \$100.00 of gross receipts.

- (13) For wholesale electric turbine manufacturers, \$0.02 per \$100.00 of purchases.
- (14) For first and second mortgage companies, \$0.29 per \$100.00 of gross receipts.
- (15) For electric utilities furnishing electric lighting or heating (except electric suppliers, as defined in Code of Virginia, § 58.1-400.2), one-half of one percent of the gross receipts.
- (16) For telephone companies, three percent of the gross receipts from all local telephone service within the City.

Sec. 26-873. Exemptions.

(a) Any person with gross receipts (or purchases for wholesale merchants) of \$5,000.00 or more but less than [~~\$100,000.00~~] \$250,000.00 in a given license year is exempt from payment of business license tax on the gross receipts of the business for the license tax year to which those receipts apply. For persons with gross receipts or purchases equal to or greater than [~~\$100,000.00~~] \$250,000.00, the tax liability will be calculated on total gross receipts as provided in Section 26-871. For persons with gross receipts less than \$5,000.00, there will be no tax liability. Notwithstanding anything contained in this subsection, this section shall not apply to any person taxable under Section 26-956(d). Further, notwithstanding anything else contained in this subsection, any person exempt from business license tax based on purchases or gross receipts of \$5,000.00 or more but less than [~~\$100,000.00~~] \$250,000.00 shall be obligated to pay a license fee of \$30.00. Those persons with gross receipts or purchases of less than \$5,000.00 will not be required to pay the license fee; however, such persons will be required to comply with the license and permit requirements applicable to the business activity in which they are engaged in the City.

(b) Further, notwithstanding anything else contained in this article, any person engaged in business as a contractor will continue to be licensed in accordance with Code of Virginia, § 58.1-3715. Contractors whose principal office or business is not located in the City and whose

gross receipts are greater than \$25,000.00 but less than [~~\$100,000.00~~] \$250,000.00 will be subject to the license fee as indicated in subsection (a) of this section.

(c) No tax shall be payable under this article by such persons, businesses, services, or corporations exempted from local business license taxation as provided in Code of Virginia, § 58.1-3703.

(d) Specific exemptions for the Young Men's Christian Association, Young Women's Christian Association, unincorporated groups or associations of members of churches or other religious associations of a like character:

(1) No section of this article relating to retail merchant or restaurant licenses shall have application to such organizations, provided the entire net revenues obtained from the sale or furnishing of diet, food or refreshments are devoted exclusively to the religious or other charitable activities of such churches or associations.

(2) Nothing in Section 26-1007(c) shall have application to the conduct or operation of a boardinghouse or lodginghouse formed by such organizations, in connection with the religious or other activities of such organizations, provided the entire net revenues are devoted exclusively to the religious or other charitable activities of such organizations.

(e) No license taxes prescribed in this article shall be required to be paid for any amusement, performance, exhibition, entertainment or show held or conducted exclusively for religious, charitable or benevolent purposes. This subsection shall not exempt from the payment of the prescribed license taxes any amusement, performance, exhibition, entertainment or show by any person who makes it such person's business to give such exhibitions, no matter what the terms may be of any contract entered into or under what auspices, if given by such person for religious, charitable or benevolent purposes. The intent and meaning of this subsection is that every person

who makes it such person's business to give performances, exhibitions, entertainments or shows for compensation, whether a part of the proceeds are for religious, charitable or benevolent purposes or not, shall pay the license taxes prescribed in this article.

(f) Manufacturers who offer for sale at the place of manufacture goods, wares and merchandise manufactured by such manufacturers at wholesale are exempt from license taxes on such sales.

(g) Nothing in this chapter shall require a license tax from an individual who is employed as a teacher in a school conducted in the City by another person. Every individual who, alone and not in combination or association in any manner, form or character whatsoever with any other individual, firm, partnership, association or corporation, teaches, tutors or coaches other individuals in the academic subjects of mathematics, history, English, geography, language, government, science or music shall not be subject to the license tax levied by this article.

(h) Nothing in this chapter shall require a license tax on or measured by receipts of a nonprofit organization described in Internal Revenue Code Section 501(c)(3) or Section 501(c)(19) except to the extent the organization has receipts from an unrelated trade or business, the income of which is taxable under Internal Revenue Code Section 511 et seq. For the purpose of this subsection, the term "nonprofit organization" means an organization that is described in Internal Revenue Code Section 501(c)(3) or Section 501(c)(19) and to which contributions are deductible by the contributor under Internal Revenue Code Section 170, except that educational institutions exempt from Federal income tax under Internal Revenue Code Section 501(c)(3) shall be limited to schools, colleges and other similar institutions of learning.

(i) Nothing in this chapter shall require a license tax on or measured by gifts, contributions, and membership dues of a nonprofit organization. Activities conducted for

consideration that are similar to activities conducted for consideration by for-profit businesses shall be presumed to be activities that are part of a business subject to licensure. For the purpose of this subsection, the term "nonprofit organization" means an organization exempt from Federal income tax under Internal Revenue Code Section 501 other than the nonprofit organizations described in subsection (h) of this section.

(j) No license tax is required for any of the following:

(1) On any public service corporation or any motor carrier, common carrier, or other carrier of passengers or property formerly certified by the Interstate Commerce Commission or presently registered for insurance purposes with the Surface Transportation Board of the United States Department of Transportation, Federal Highway Administration, except as provided in Code of Virginia, § 58.1-3731 or as permitted by other provisions of law;

(2) For selling farm or domestic products or nursery products, ornamental or otherwise, or for the planting of nursery products, as an incident to the sale thereof, outside of the regular market houses and sheds of the City, provided such products are grown or produced by the person offering them for sale;

(3) Upon the privilege or right of printing or publishing any newspaper, magazine, newsletter or other publication issued daily or regularly at average intervals not exceeding three months, provided the publication's subscription sales are exempt from state sales tax, or for the privilege or right of operating or conducting any radio or television broadcasting station or service;

(4) On a person engaged in the business of severing minerals from the earth for the privilege of selling the severed mineral at wholesale at the place of severance, except as provided in Code of Virginia, §§ 58.1-3712 and 58.1-3713;

(5) Upon a wholesaler for the privilege of selling goods, wares and merchandise to other persons for resale unless such wholesaler has a definite place of business or store in the City. This subsection shall not be construed as prohibiting any a license tax on a peddler at wholesale;

(6) Upon any person, firm or corporation for engaging in the business of renting, as the owner of such property, real property other than hotels, motels, motor lodges, auto courts, tourist courts, travel trailer parks, campgrounds, bed and breakfast establishments, lodginghouses, roominghouses, and boardinghouses; however, if the City imposed such a license tax on January 1, 1974, it shall not be precluded from the levy of such tax by the provisions of this subsection;

(7) On or measured by receipts for management, accounting, or administrative services provided on a group basis under a nonprofit cost-sharing agreement by a corporation which is an agricultural cooperative association under the provisions of Code of Virginia, Title 13.1, Ch. 3, Art. 2 (Code of Virginia, § 13.1-312 et seq.), or a member or subsidiary or affiliated association thereof, to other members of the same group. This exemption shall not exempt any such corporation from such license or other tax measured by receipts from outside the group;

(8) On or measured by receipts or purchases by an entity which is a member of an affiliated group of entities from other members of the same affiliated group. This exclusion shall not exempt affiliated entities from such license or other tax measured by

receipts or purchases from outside the affiliated group. This exclusion also shall not preclude the City from levying a wholesale merchant's license tax on an affiliated entity on those sales by the affiliated entity to a nonaffiliated entity, notwithstanding the fact that the wholesale merchant's license tax would be based upon purchases from an affiliated entity. Such tax shall be based on the purchase price of the goods sold to the nonaffiliated entity. As used in this subdivision, the term "sales by the affiliated entity to a nonaffiliated entity" means sales by the affiliated entity to a nonaffiliated entity where goods sold by the affiliated entity or its agent are manufactured or stored in the Commonwealth prior to their delivery to the nonaffiliated entity;

(9) On any insurance company subject to taxation under Code of Virginia, Title 58.1, Ch. 25 (Code of Virginia, § 58.1-2500 et seq.) or on any agent of such company;

(10) On any bank or trust company subject to taxation in Code of Virginia, Title 58.1, Ch. 12 (§ 58.1-1200 et seq.);

(11) Upon a taxicab driver, if the City has imposed a license tax upon the taxicab company for which the taxicab driver operates;

(12) On any blind person operating a vending stand or other business enterprise under the jurisdiction of the State Department for the Blind and Vision Impaired, or a nominee of the Department, as set forth in Code of Virginia, § 51.5-98;

(13) On an accredited religious practitioner in the practice of the religious tenets of any church or religious denomination. The term "accredited religious practitioner" shall be defined as one who is engaged solely in praying for others upon accreditation by such church or religious denomination;

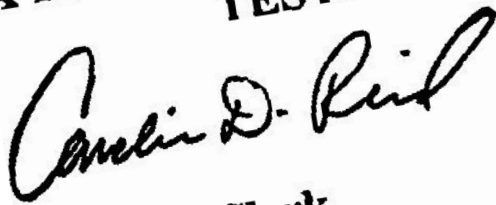
(14) On any venture capital fund or other investment fund, except commissions and fees of such funds. Gross receipts from the sale and rental of real estate and buildings remain taxable by the City if located in the City;

(15) On total assessments paid by condominium unit owners for common expenses. The term "common expenses" and "unit owner" have the same meanings as in Code of Virginia, § 55.1-1900; or

(16) On or measured by receipts of a qualifying transportation facility directly or indirectly owned or title to which is held by the Commonwealth or any political subdivision thereof or by the United States as described in Code of Virginia, § 58.1-3606.1 and developed and/or operated pursuant to a concession under the Public-Private Transportation Act of 1995 (Code of Virginia, § 33.2-1800 et seq.) or similar Federal law.

§ 2. This ordinance shall be in force and effect January 1, 2023.

**A TRUE COPY:
TESTE:**



**Carolin D. Reil
City Clerk**





CITY OF RICHMOND INTRACITY CORRESPONDENCE

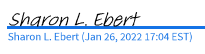
O&R REQUEST


DATE: Friday, January 28th, 2022 **EDITION:** 1


TO: The Honorable Members of City Council


THROUGH: The Honorable Levar M. Stoney, Mayor 


THROUGH: J.E. Lincoln Saunders, Chief Administrative Officer 

THROUGH: Sharon Ebert, Deputy Chief Administrative Officer, Planning and Economic Development 
Sharon L. Ebert (Jan 26, 2022 17:04 EST)

THROUGH: Leonard Sledge, Director of Economic Development 

THROUGH: Jason May, Director of Budget and Strategic Planning 
Jason May (Jan 26, 2022 15:24 EST)

THROUGH: Sheila White, Director of Finance 
Robert Floyd, Deputy Director OBO: Robert A. Floyd (Jan 26, 2022 15:03 EST)

FROM (Requestor): Jeff Crawford, Management Analyst - Associate 

DEPARTMENT: Department of Finance, Finance and Administration Portfolio

RE: Raising the BPOL Tax Threshold

PURPOSE:

To increase the Business, Professional and Occupational License (BPOL) Tax threshold from \$100,000 to \$250,000.

REASON:

This ordinance will enhance Richmond's competitive small business generation, attraction, and retention efforts.

BACKGROUND:

This O&R Request is the result of the combined effort of the Mayor's Office, City Council, and the Chief Administrative Officer's Office, led by the Department of Finance with assistance from the Departments of Budget and Strategic Planning and the Department of Economic Development. The overall goal is to alleviate BPOL Tax liability for Richmond's small businesses while simultaneously minimizing impact to General Fund revenue collections.

A number of Ordinances and Resolutions in recent history (including ORD. 2019-275, ORD. 2019-276, RES. 2021-R048, and ORD. 2021-189) have been introduced in order to alter current BPOL practices. The result of the analyses of these papers by City Staff in cooperation with City Council has



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resulted in a shared alternative approach to target small businesses regardless of their business license tax category in a fashion that requires minimal legislative change and minimal administrative implementation.

The current BPOL structure of the City is outlined in Table 1, below:

Table 1 – Existing City of Richmond BPOL Structure Applied to FY21 Returns

Taxable Gross Receipts (Annual)	Required Taxes and Fees*	Generalized Cost to Business	FY21 Share of Businesses
< \$5,000	N/A	None	21.4%
≥ \$5,000, < \$100,000	\$30 Flat Fee	Minimal	26.4%
≥ \$100,000	Varying rate based on business type applied to taxable gross receipts (Sec. 26-871)	High	52.1%

*This does not include permit based fees specifically required by code of certain business types (e.g. Detectives, Bowling Alleys, Billiard Parlors, etc.)

Currently, fewer than half of all Richmond businesses pay no tax/fee or a minimal fee. The goal of this proposed ordinance is to increase that number by raising the threshold to \$250,000. Based on the Department of Finance’s analysis of the FY21 returns an additional 13.0% percent of Richmond businesses would be added to the population of businesses which pay a \$30 flat fee as opposed to their higher BPOL taxes.

As an illustrative example of how this may impact an individual business, consider the following example of Foushee Real Estate (anonymized business based on real returns) under current practices versus those proposed by this Ordinance as outlined in Table 2, below.

Table 2 – ‘Foushee Real Estate’ Business Benefit

	Current \$100,000 Threshold	Proposed \$250,000 Threshold
Category/Subcategory	Agent/Real Estate Agent	Agent/Real Estate Agent
BPOL Tax Rate	\$0.58	\$0.58
Total Taxable Sales	\$246,056.80	\$246,056.80
Required to Pay	\$1,427.13 in BPOL	\$30.00 in Flat Fee
Net Benefit to Business	N/A	\$1,397.13

The example business would realize nearly \$1,400.00 in net benefit. That equates, roughly, to a two week paycheck for an employee¹, a new work computer for a new hire, etc. What it means, broadly, for Richmond’s small businesses is less money paid in taxes that can be used to fund growth.

¹ Calculated based on [2019: ACS 1-Year Estimate Table S1901 | Income in the Past 12 Months](#) median value of \$37,732 for Nonfamily Households



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Raising the BPOL threshold is not a novel idea. Surrounding localities, including Henrico and Chesterfield, have adopted this strategy with regards to their FY22 budgets.² Chesterfield's threshold currently stands at \$400,000 (up from \$300,000 the previous FY) while Henrico has reached its target threshold of \$500,000. Both localities took stair-stepped approaches to increasing their threshold.

The combined recommendation of City Staff is that this strategy is well suited to enhance Richmond's small business environment. Doing so will be in direct alignment with multiple Mayoral Priority Areas and Council Focus Areas. The reduction of BPOL taxes for businesses with less than \$250,000 in gross annual taxable receipts corresponds to the Mayor Priority Area – Economic Empowerment as well as the Council Focus Area – 21st Century Richmond specific to Economic Progress. Not only will this recommendation, if adopted, allow for small business growth, it will do so in a fashion that requires no additional staff and minimal existing staff implementation time. This combination of business benefit and ease of implementation aligns with the Mayor's Priority Area of Efficient & High Quality Service Delivery and the Council Focus Area of Responsive, Accountable and Innovative Government.

FISCAL IMPACT/COST:

There is no fiscal impact/cost associated with this O&R Request save negligible staff time to update website, forms, and already incurred staff research and legislative time.

REVENUE TO CITY:

Revenue to the City will be marginally impacted through the adoption of this recommendation. Reducing the tax obligation of 13.0% of all Richmond businesses, based on the analysis of FY21 actuals, would lead to a minimal impact of FY23 revenues of approximately \$417,768 dollars (a reduction in BPOL taxes of -1.4% of the observed FY21 amount). This value is not anticipated to result in a reduction of FY23 General Fund but will reduce growth assumptions of the category slightly.

FISCAL IMPLICATIONS:

There is no fiscal implication associated with this O&R Request save negligible staff time to update website, forms, and already incurred staff research and legislative time.

BUDGET AMENDMENT NECESSARY:

No budget amendment necessary. The Department of Finance will continue to work with the Department of Budget and Strategic Planning for inclusion of legislative action as a result of this request in the FY23 revenue projections.

REQUESTED INTRODUCTION DATE:

Monday, February 14th, 2022

² Source: Jacobs, J. (2021, April 20). [Chesterfield raises BPOL tax threshold as counties adopt FY22 budgets](#). Richmond BizSense.



CITY OF RICHMOND INTRACITY CORRESPONDENCE

CITY COUNCIL PUBLIC HEARING DATE:

TBD

DESIRED EFFECTIVE DATE:

Friday, July 1st, 2022 (coinciding with the start of FY23)

REQUESTED AGENDA: Regular Agenda

RECOMMENDED COUNCIL COMMITTEE: Finance and Economic Development

CONSIDERATION BY OTHER GOVERNMENTAL ENTITIES:

N/A

AFFECTED DEPARTMENTS:

Department of Finance
Department of Budget and Strategic Planning
Department of Economic Development

AFFECTED COUNCIL DISTRICT(S):

- | | | | |
|---|---|---|---|
| <input type="checkbox"/> 1 st District | <input type="checkbox"/> 4 th District | <input type="checkbox"/> 7 th District | <input checked="" type="checkbox"/> All Districts |
| <input type="checkbox"/> 2 nd District | <input type="checkbox"/> 5 th District | <input type="checkbox"/> 8 th District | |
| <input type="checkbox"/> 3 rd District | <input type="checkbox"/> 6 th District | <input type="checkbox"/> 9 th District | <input type="checkbox"/> N/A |



CITY OF RICHMOND INTRACITY CORRESPONDENCE

ATTACHMENTS:

- This proposal, *pending legal review*, would simply require a change of the value of “\$100,000” to a higher value in Article XV. – License Taxes:

[REDACTED] = REPLACE WITH \$250,000

Sec. 26-873. - Exemptions.



(a) Any person with gross receipts (or purchases for wholesale merchants) of \$5,000.00 or more but less than [REDACTED] in a given license year is exempt from payment of business license tax on the gross receipts of the business for the license tax year to which those receipts apply. For persons with gross receipts or purchases equal to or greater than [REDACTED], the tax liability will be calculated on total gross receipts as provided in [Section 26-871](#). For persons with gross receipts less than \$5,000.00, there will be no tax liability. Notwithstanding anything contained in this subsection, this section shall not apply to any person taxable under [Section 26-956\(d\)](#). Further, notwithstanding anything else contained in this subsection, any person exempt from business license tax based on purchases or gross receipts of \$5,000.00 or more but less than [REDACTED] shall be obligated to pay a license fee of \$30.00. Those persons with gross receipts or purchases of less than \$5,000.00 will not be required to pay the license fee; however, such persons will be required to comply with the license and permit requirements applicable to the business activity in which they are engaged in the City.

Sec. 26-871. - Established.



Except as may be specifically otherwise provided by this article or other law, the annual license tax imposed under this article shall be \$30.00 for any person with gross receipts (or purchases for wholesale merchants) of \$5,000.00 or more but less than [REDACTED] in a given license year. Any person with gross receipts greater than [REDACTED] will be liable for business license taxes at the applicable rate set forth as follows for the class of enterprise listed or as otherwise provided in this article:

STAFF CONTACT:

Jeff Crawford
Management Analyst Associate
Jeffrey.Crawford@RVA.gov
(804) 646-3056











Ordinance - Resolution Request Form - Increasing the BPOL Threshold


Final Audit Report

2022-01-26


Created:	2022-01-26
By:	Jeff Crawford (jeffrey.crawford@richmondgov.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAA6D0id0PV81mnGTZvEfU1ix1v6XyZZhEA

"Ordinance - Resolution Request Form - Increasing the BPOL Threshold" History


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2022-01-26 - 8:26:37 PM GMT

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Signature Date: 2022-01-26 - 10:04:50 PM GMT - Time Source: server- IP address: 65.202.206.129

 Agreement completed.

2022-01-26 - 10:04:50 PM GMT