

INTRODUCED: July 26, 2021

Expedited Consideration

A RESOLUTION No. 2021-R

To request that the Chief Administrative Officer cause to be prepared a report on the impact of Ord. No. 2019-276, concerning the creation of a new business, profession, and occupation license tax category for technology businesses and a new license tax for such businesses.

Patrons – Mr. Jones, Ms. Larson, Vice President Robertson, and Mr. Addison

Approved as to form and legality
by the City Attorney

PUBLIC HEARING:

AT 6 P.M.

WHEREAS, Ordinance No. 2019-276 (hereinafter referred to as the “Ordinance”), introduced to the City Council on October 14, 2019, amends sections 26-872, concerning definitions related to license taxes, and 26-989, concerning licenses taxes for personal services businesses, of the Code of the City of Richmond (2020), as amended, and amends Chapter 26, Article XV, Division 2 of the Code of the City of Richmond (2020), as amended, by adding therein a new section numbered 26-1003.1, concerning the license tax for technology businesses, for the purpose of creating a new business, profession, and occupation license category called “technology business” and imposing a new license tax on such businesses; and

AYES: _____ NOES: _____ ABSTAIN: _____

ADOPTED: _____ REJECTED: _____ STRICKEN: _____

WHEREAS, the Ordinance further establishes (i) a license tax equal to \$0.10 per \$100 of gross receipts of the technology business for persons engaging in biotechnology, research and development, and information services; (ii) a license tax equal to \$0.03 per \$100 of gross receipts of the technology business for federal contractors engaged in research and development services, and (iii) a license tax equal to \$0.03 per \$100 of gross receipts of the technology business for persons engaged in computer services; and

WHEREAS, upon information and belief of the Council, the Ordinance, if adopted, may have an unknown fiscal impact, including the effect of increasing the tax rates of existing or new businesses currently classified in another category, which may fully or partially offset the imposition of a lower tax rate, or decreasing the tax rates of other such businesses; and

WHEREAS, the Council believes that it is in the best interests of the citizens of the City of Richmond that the Council request that the Chief Administrative Officer cause to be prepared a report on the impact of the Ordinance, if adopted, that includes how the creation of a business, profession, and occupation license category for technology businesses may affect existing and new businesses currently classified in another category, an evaluation of the potential fiscal implications of the Ordinance with regard to General Fund revenues on and after the Ordinance is adopted, and the impact that the business, professional, and occupational license tax rates set forth in the Ordinance may have on equity amongst affected businesses;

NOW, THEREFORE,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF RICHMOND:

That the Council hereby requests that the Chief Administrative Officer cause to be prepared a report on the impact of the Ordinance, if adopted, that includes how the creation of a business, profession, and occupation license category for technology businesses may affect

existing and new businesses currently classified in another category, an evaluation of the potential fiscal implications of the Ordinance with regard to General Fund revenues on and after the Ordinance is adopted, and the impact that the business, professional, and occupational license tax rates set forth in the Ordinance may have on equity amongst affected businesses, which also provides for the following:

1. An assessment of the number of existing businesses that would qualify for the proposed reduced business, profession, and occupation tax rate.
2. An assessment of the number of new or expanded technology businesses that would qualify for any reduced business, profession, and occupation tax rates.
3. An assessment of the potential impact that any reduced business, profession, and occupation tax rates would have on General Fund revenues over a multiyear period.
4. As assessment of whether growth in other General Fund revenue sources over a multiyear period will fully or partially offset any projected revenue loss.
5. Evaluation of the impact that the Ordinance is likely to have on equity in the application of any reduced business, profession, and occupation tax rates.

BE IT FURTHER RESOLVED:

That the Council hereby requests that the Chief Administrative Officer cause the report for which this resolution calls to be provided to the Council by no later than November 1, 2021, and cause updates to such report to be provided to the Council by no later than November 1 of each year thereafter.



Richmond City Council

The Voice of the People

Richmond, Virginia

RECEIVED
By City Attorney's Office at 2:48 pm, Jul 16, 2021

Office of the Council Chief of Staff

Ordinance/Resolution Request

TO Haskell C. Brown, III, Interim Richmond City Attorney
Richmond Office of the City Attorney

THROUGH Joyce L. Davis
Interim Council Chief of Staff

FROM William E. Echelberger, Jr, Council Budget Analyst

COPY Michael J. Jones, 9th District Representative
Kristen N. Larson, 4th District Representative
Ellen F. Robertson, 6th District Representative
Andreas D. Addison, 1st District Representative
Tabrica C. Rentz, Interim Deputy City Attorney
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Aaron A. Bond, 4th District Liaison
Tavares M. Floyd, 6th District Liaison
Daniel M. Wagner, 1st District Liaison

DATE July 16, 2021

PAGE/s 1 of 2

TITLE Report on the impact of Ordinance No. 2019-276

This is a request for the drafting of an **Ordinance** ☐ **Resolution** ☒

REQUESTING COUNCILMEMBER/PATRON

Michael J. Jones, 9th District Representative
Kristen N. Larson, 4th District Representative
Ellen F. Robertson, 6th District Representative
Andreas D. Addison, 1st District Representative

SUGGESTED STANDING COMMITTEE

Expedited Consideration

ORDINANCE/RESOLUTION SUMMARY

- The Patrons request a resolution to request that the Chief Administrative Officer cause a report to be prepared on the impact of Ordinance No. 2019-276. This report shall include:
 - An assessment of the number of current businesses that would qualify for the reduced BPOL Tax rates proposed in Ordinance No. 2019-276,
 - The impact of the reduced BPOL Tax rates proposed in Ordinance No. 2019-276 on General Fund revenues over a multi-year period,
 - An assessment of the potential for the attraction of new and/or expanded technology businesses as a result of the proposed BPOL tax changes,

- 4. An assessment of whether growth in other General Fund revenue sources over a multi-year period will fully or partially offset the projected revenue loss, and
- 5. An evaluation of the impact the proposed changes are likely to have on equity.
- The requested impact report shall be provided to City Council no later than November 1, 2021.
- Updates to the report shall be provided to City Council no later than November 1st annually.

BACKGROUND

- Ordinance No. 2019-276 was introduced on October 14, 2019, and has been continued in the Finance and Economic Development Committee numerous times.
- Ordinance No. 2019-276 was approved by the Finance and Economic Development Committee at its meeting on July 15, 2021, and forwarded to City Council with a recommendation for approval with an amendment changing the effective date to January 1, 2022.
- Ordinance No. 2019-276 amends City Code §§ 26-872, concerning definitions related to license taxes, and 26-989, concerning licenses taxes for personal services businesses, and to amend ch. 26, art. XV, div. 2 of the City Code by adding therein a new section numbered 26-1003.1, concerning the license tax for technology businesses, for the purpose of creating a new business, profession, and occupation license category called "technology business" and imposing a new license tax on such businesses.
 - Establishing a license tax equal to \$0.10 per \$100 of gross receipts of the technology business for persons engaging in biotechnology, research and development, and information services.
 - Establishing a license tax equal to \$0.03 per \$100 of gross receipts of the technology business for federal contractors engaged in research and development services.
 - Establishing a license tax equal to \$0.03 per \$100 of gross receipts of the technology business for persons engaged in computer services.
- Ordinance No. 2019-276 will have an unknown fiscal impact.
 - Current or new businesses may have been classified in another category that provides for a higher tax rate but with the establishment of this new category may now be eligible for the new tax rate which is lower than any of the other categories.
 - The establishment of the new tax rate for technology businesses may result in an increase in technology business activity in the City of Richmond that may fully or partially offset the lower tax rate.
- The impact report was requested by the Finance and Economic Development Committee at its meeting on July 15, 2021.

FISCAL IMPACT STATEMENT

Fiscal Impact Yes ☒ No ☐

Budget Amendment Required Yes ☐ No ☒

Estimated Cost or Revenue Impact

There will be an allocation of staff time and resources for the preparation of the requested impact report.

Attachment/s Yes ☐ No ☒

Richmond City Council Ordinance/Resolution Request Form/updated 10.5.2012 /rs