

# City of Alexandria, Virginia

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## MEMORANDUM

DATE: MARCH 13, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER 

SUBJECT: BUDGET MEMO #9: LOWER BPOL TAX RATE FOR HOME CARE SERVICES FOR SENIORS AND ALTERNATIVE ENERGY SERVICES

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This memorandum is in response to requests from Councilman Krupicka regarding Business/Professional/Occupational Licenses (BPOL) tax rates for businesses providing home care services for seniors and for businesses providing alternative energy services.

*Can staff provide a fiscal analysis and explain the steps needed for Council to create a new BPOL category for service providers that support aging in place in Alexandria and to set that new category at a rate that is equal to half of the lowest BPOL rate in the city?*

Council has authority to create a separate license class within the existing BPOL category "Services" for those businesses. The lowest BPOL tax rate for the "Services" category is \$0.35 per \$100 in gross receipts. Staff estimates there are approximately 13 businesses in the City that may provide home health care services for seniors. The fiscal impact for creating a separate license class at a tax rate equal to half of \$0.35 per \$100 (\$0.175 per \$100) would be less than \$5,000 per year. To allow for reductions for a separate license class, the current business tax system may have to be adjusted. The City would also have to establish guidelines for identifying businesses that qualify for the lower tax rate.

*Can staff provide a fiscal analysis and explain the steps needed for Council to create a new BPOL category for service providers that support, create or sell alternative energy services for non-petroleum based fuel sources in Alexandria and to set that new category at a rate that is equal to half of the lowest BPOL rate currently used in the city?*

Currently, public utilities furnishing water services pay the BPOL tax at a rate of 0.5 percent (or \$0.50 per \$100) of gross receipts. The BPOL tax for public utilities furnishing heat, light, and power was eliminated in 2001 as result of state legislation (SB 1421). However, there is no data currently available that would allow staff to estimate the financial impact of reducing the rate for alternative energy service providers such as those that produce wind-generated power or the infrastructure for electric cars. In the event that a separate lower tax rate is created, we can predict that any such company would have only a small market share in the early years of operation, so the financial impact would be limited. As with creating a separate license class for home health care services for seniors, the current business tax system may have to be adjusted to

create a separate license class for alternative energy providers, and guidelines for identifying businesses that qualify for the lower tax rate would need to be established.