City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 21, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 6 BUSINESS LICENSE ON PROFESSIONAL SERVICES

This memo is in response to Councilman Krupicka's request for an analysis of Alexandria's business license tax rate on professional services in comparison to the rest of the region and the cost of bringing Alexandria's business license tax rate in line with the region. Professional services includes accountants, architects, attorneys, dentists, doctors of medicine, engineers, physicians, radiologists, surgeons and veterinarians. The following details the professional services tax rate in Alexandria, which at $0.58 is at the State ceiling, the surrounding region and a selection of other large Virginia jurisdictions.

LOCALITIES	**TAX RATE ***
City of Alexandria	$0.58 per $100 of gross receipts

In Region

Arlington County	$0.36 per $100
Fairfax County	$0.31 per $100
Loudoun County	$0.33 per $100
Prince William County	$0.33 per $100

Other Large Virginia Cities

Charlottesville	$0.58 per $100
Newport News	$0.58 per $100
Norfolk	$0.58 per $100
Richmond	$0.58 per $100
Virginia Beach	$0.58 per $100

* Based on *Tax Rates 2004* published by Weldon Cooper Center for Public Service

The City collects approximately $4.9 million in business license taxes from professional organizations. If that amount was reduced to match the tax rate of Arlington, revenues would decrease by approximately $1.9 million. If the City's tax rate was lowered to $0.33 per $100 to match those of Loudoun and Prince William County, revenues would decrease by approximately $2.1 million. And, if the City lowered its rate to match that of Fairfax County, revenues would decrease by approximately $2.3 million. To date, the professional services rate does not appear to be a barrier to doctors, lawyers and other professionals choosing Alexandria as the location for their offices.