

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 24, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #26: BUSINESS LICENSING TRENDS

This is in response to Councilwoman Woodson's request for information regarding trends in business licensing. The Business license tax (BPOL) is levied on those doing business in the City and is a fixed fee of \$50 for businesses with gross receipts ranging from \$10,000 to \$100,000. For business with gross receipts of \$100,000 or more, the Business License tax is assessed as a percentage of the gross receipts according to business license category. The gross receipts rate ranges from .0016 for building contractors to .0058 for professionals such as doctors and lawyers.

In FY 2003, reductions in late filing penalties were approved. In FY 2006, Council approved major business license tax relief, reform, and simplification for small and medium sized businesses in their first two years of operation.

Table 1 shows different license categories, the number of licenses issued by category in each calendar year from 1999 to 2005, and the total percentage increase in licenses issued. The tax is due on March 1, and compilation of 2006 numbers has not yet been completed.

Table 1. Business Licenses by category

	1999	2000	2001	2002	2003	2004	2005	% Change 1999- 2005
Professional	862	880	894	928	938	965	985	14.2%
Services	3,414	3,716	3,811	3,904	4,029	4,038	4,107	20.3%
Retail	1,926	1,959	1,975	2,119	2,150	2,147	2,152	11.7%
Contractors	1,176	1,257	1,331	1,357	1,374	1,404	1,448	23.1%
Other	1,632	1,702	1,731	1,850	1,901	1,881	1,904	16.6%
Total	9,010	9,514	9,742	10,158	10,392	10,435	10,596	17.6%

Source: Finance Department Business License Collections 1999-2005

Table 2 shows Business License revenues since FY 1999. The increase in revenues through 2005 is 61.3%. The increase in BPOL revenues exceeds the increase in the number of businesses due to increased revenues for Alexandria businesses and inflation.

Table 2. Business license revenues by fiscal year (millions of dollars)

1999	2000	2001	2002	2003	2004	2005	Projected 2006	Budgeted 2007	% change 1999- 2007
\$16.8	\$19.0	\$20.7	\$22.2	\$23.6	\$25.6	\$27.1	\$28.4	\$30.0	78.5%

Source: Comprehensive Annual Financial Report, FY 2007 Proposed Budget