

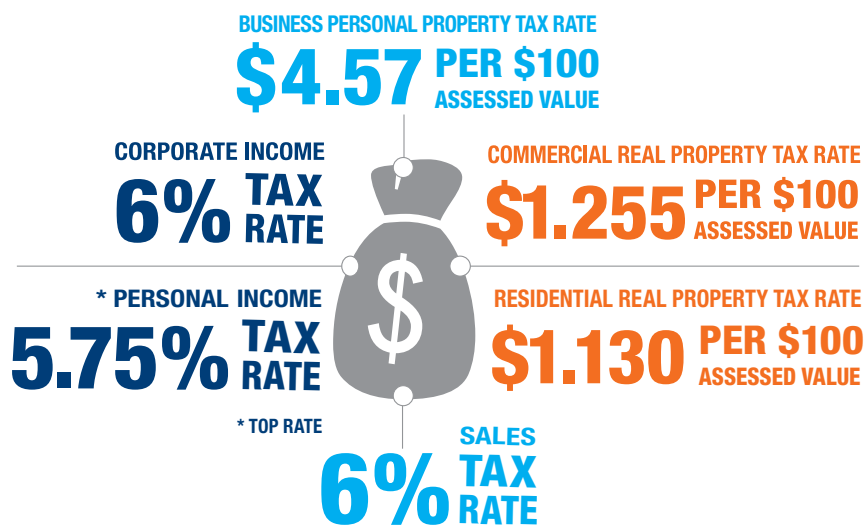
FAIRFAX COUNTY, VIRGINIA

Business Taxes and Fees, 2016-2017



This report highlights major state and local taxes and fees that may be applicable to businesses in Fairfax County. Also included is a comparison of tax rates in major jurisdictions in the Washington, D.C., region. For information on federal taxes, visit www.irs.gov.

MAJOR TAX RATES IN FAIRFAX COUNTY



Note: The towns of Herndon and Vienna levy additional taxes in addition to Fairfax County.

QUICK TAX FACTS

- The Fairfax County **real property tax rate** of \$1.1130 per \$100 of assessed value **has declined 35 percent** from the 1978 level of \$1.74.
- Virginia is ranked **6th lowest corporate income tax state** in the nation by the Tax Foundation.
- Fairfax County does not tax items that are taxed by the Commonwealth of Virginia, with one exception: the sales and use tax, which is levied by both state and local governments in Virginia.
- Fairfax County has the **lowest BPOL tax rate** for most business sectors in Northern Virginia.
- Fairfax County and Virginia offer a variety of fast, easy and secure methods for businesses to manage their tax accounts, visit www.fairfaxcounty.gov/dta.

VIRGINIA ALLOWS A NUMBER OF CREDITS AGAINST THE CORPORATE INCOME TAX, INCLUDING:

- Major Business Facility Job Tax Credit
- Neighborhood Assistance Act Tax Credit
- Recycling Equipment Tax Credit
- Research and Development Tax Credit
- Telework Expenses Tax Credit
- Worker Retraining Tax Credit

Virginia has not raised its corporate income tax rate since 1972.



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FAIRFAX COUNTY
ECONOMIC DEVELOPMENT AUTHORITY

Tax Rate Regional Comparison

TAX RATES, SELECTED REGIONAL JURISDICTIONS

Regional jurisdictions levy taxes on income, real and tangible property, and the final sales of goods and services. A base comparison rate for selected taxes is just a general guide of tax rates. Basic Tax rates are listed. For a calculation of actual tax liability of any business, a tax professional should be consulted. The Fairfax County Economic Development Authority can assist businesses with tax and business cost comparisons of specific properties in the county.

	Residential Real Property ¹ <i>(per \$100 assessed value)</i>	Commercial Real Property ¹ <i>(per \$100 assessed value)</i>	Business Tangible Personal Property ² <i>(per \$100 assessed value)</i>	Corporate Income Tax ³	Personal Income Tax ⁴	Sales and Use Tax ⁵
Virginia						
Fairfax County	\$1.130	\$1.255	\$4.570	6.00%	5.75%	6.00%
Arlington County	\$0.991	\$1.116	\$5.000	6.00%	5.75%	6.00%
Loudoun County	\$1.145	\$1.145	\$4.200	6.00%	5.75%	6.00%
Prince William County	\$1.122	\$1.122	\$3.700	6.00%	5.75%	6.00%
City of Alexandria	\$1.073	\$1.073	\$4.750	6.00%	5.75%	6.00%
City of Fairfax	\$1.062	\$1.157	\$4.130	6.00%	5.75%	6.00%
City of Falls Church	\$1.315	\$1.315	\$5.000	6.00%	5.75%	6.00%
District of Columbia	\$0.850	\$1.850	\$3.400	9.40%	8.95%	5.75%
Maryland						
Montgomery County	\$0.887	\$0.887	\$1.840	8.25%	8.95%	6.00%
Prince George's County	\$1.112	\$1.112	\$2.400	8.25%	8.95%	6.00%

¹ Taxes are countywide base rates that include state property taxes for Maryland and the District of Columbia. Additional layers of taxes may be levied based on location and type of property. These include but are not limited to taxes by, on or for towns, cities and municipalities, commercial property, public services and infrastructure.

² Tangible personal property tax rates are maximum rates. Individual jurisdictions may have lower rates, or exempt some property from these taxes.

³ Corporate income tax is calculated differently in each state and the figures reflect the maximum rate applied to the highest income level.

⁴ Personal income tax rates shown are the maximum rate applied to the highest income level.

⁵ Sales and use taxes are the standard rates applied to most final purchases of goods and selected services. The Commonwealth of Virginia has 5 percent sales and use tax rate and the selected counties apply a 1 percent option tax. Maryland does not have a local option tax.

Sources: Virginia State Corporation Commission, Virginia Department of Taxation, District of Columbia Office of the Chief Financial Officer, Maryland Department of Business and Economic Development, Fairfax County Fiscal Year 2017 Budget, Fairfax County Department of Tax Administration, Arlington County Fiscal Year 2017 Budget, Arlington County Commissioner of Revenue, Loudoun County, Prince William County Finance Department, City of Alexandria Department of Finance, City of Falls Church, City of Fairfax, Montgomery County Department of Finance, and Prince George's County Office of Finance

BUSINESS PROFESSIONAL AND OCCUPATIONAL LICENSE (BPOL) TAX RATES, SELECTED NORTHERN VIRGINIA JURISDICTIONS

Businesses, professions, trades and occupations in many Virginia jurisdictions are assessed a license tax based on gross receipts for the prior year, without deductions. Maryland and the District of Columbia do not levy a gross receipts tax.

Tax Per \$100 Gross Receipts

	Fairfax County	City of Alexandria	Arlington County	Fairfax City	City of Falls Church	Loudoun County	Prince William County
Builders and Developers	\$0.05	\$0.16	\$0.16	\$0.16	\$0.16	\$0.13	\$0.13
Business Services	\$0.19	\$0.35	\$0.35	\$0.27	\$0.36	\$0.17	\$0.21
Contractors	\$0.11	\$0.16	\$0.16	\$0.16	\$0.16	\$0.13	\$0.13
Professional Services	\$0.31	\$0.58	\$0.36	\$0.40	\$0.52	\$0.33	\$0.33
Real Estate Brokers	\$0.31	\$0.58	\$0.36	\$0.40	\$0.52	\$0.33	\$0.33
Retail Merchants	\$0.17	\$0.20	\$0.20	\$0.20	\$0.19	\$0.17	\$0.17
Wholesale Merchants	\$0.04	\$0.05	\$0.08	\$0.05	\$0.08	\$0.05	\$0.05

Sources: Fairfax County Department of Tax Administration, Arlington County Commissioner of Revenue, Loudoun County, Prince William County Finance Department, City of Alexandria Department of Finance, City of Falls Church and City of Fairfax

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Business Taxes

VIRGINIA

Corporate Income Tax

The Virginia corporate income tax rate is 6 percent of taxable corporate income. All corporations registered with the Virginia State Corporation Commission must file a corporate income tax return with the Virginia Department of Taxation, with certain exceptions:

- **Nonprofit corporations** that are exempt from federal income tax must file and pay taxes only on non-related business taxable income.
- **Banks, trust companies, credit unions, insurance companies and public service corporations** (other than railroads, telecommunications companies, electric suppliers, pipeline distribution companies, gas utilities and gas suppliers) pay other taxes in lieu of the corporate income tax.
- **S-corporations, partnerships and sole proprietorships** also are exempt from this tax, but should contact the Virginia Department of Taxation to determine other tax and reporting requirements.

For more information, contact the Virginia Department of Taxation at 804-367-8037 or www.tax.virginia.gov.

Sales and Use Tax

The sales and use tax is levied on retail sales or leases of equipment, furniture and supplies. The combined state and local tax rate is 6 percent state and local tax is collected at the point of sale.

- The **state sales tax on food purchases for human consumption at home** is 2.5 percent.
- Certain purchases are **exempt from sales and use tax**, including:
 - custom computer software
 - items used in research and development
 - non-prescription drugs and proprietary medicines
 - certain advertising materials
 - certified pollution control devices
 - items purchased for resale by distributors
 - items used directly in industrial production, including raw materials
 - materials used in the manufacture of semiconductors and semiconductor wafers
 - tangible personal property used by nonprofit churches for recording and reproducing services

For more information, contact the Virginia Department of Taxation at 804-367-8037 or www.tax.virginia.gov. Information on this tax is also available from the Fairfax County Department of Tax Administration at 703-222-8234 or www.fairfaxcounty.gov/dta.

Annual Corporate Registration Fee

All corporations authorized to transact business in Virginia must pay an annual registration fee. The fee is \$100 for corporations with 5,000 or fewer shares of authorized capital stock. Corporations with more than 5,000 shares pay \$100 plus \$30 for each additional

5,000 shares (or fractions thereof), up to a maximum fee of \$1,700. Non-stock corporations organized after 1970 pay \$25.

For more information, contact the Virginia State Corporation Commission at 804-371-9967 or www.scc.virginia.gov.

Withholding Tax

If federal law requires an employer to hold tax from any payment, Virginia also requires withholding. If required to file withholding returns, an employer must register for withholding tax, file income tax withholding returns and pay the income tax to the Virginia Department of Taxation. Virginia deems amounts withheld as payment in trust for the employee's tax liability. Employers are responsible for timely payment and filing of their incurred withholding liability. Employers must also file the withholding forms whether or not there is withholding tax owed. Withholding tax payments are due as follows:

Withholding Liability for Month	Due
Less than \$100	Quarterly
\$100.00 – \$999.99	Monthly
\$1,000 or more	Semi-weekly

For more information, contact the Virginia Department of Taxation at 804-367-8037 or www.tax.virginia.gov.

Workers' Compensation Insurance

Employers with three or more employees regularly in service in the same business in Virginia must purchase and maintain workers' compensation insurance with a private insurance carrier, have a certificate of self-insurance issued by the Virginia Workers' Compensation Commission, or be a member of a licensed group self-insurance association. The cost varies by industry, occupation, state and insurance carrier.

For more information, contact the Virginia Workers' Compensation Commission at 877-664-2566 (toll-free in Virginia), 703-207-7152 (Fairfax regional office) or www.vwc.state.va.us.

Unemployment Insurance Tax

Employers must register with the Virginia Employment Commission and pay unemployment insurance tax if they employ one or more persons for 20 or more weeks during a calendar year, or if they pay wages of \$1,500 or more during any calendar quarter.

For more information, contact the Virginia Employment Commission (www.vec.virginia.gov/employers/unemployment-insurance-information).

Business Taxes

FAIRFAX COUNTY

Business, Professional and Occupational License (BPOL) Tax

All businesses (including home-based enterprises and self-employed individuals) located or operating in Fairfax County that have annual gross receipts greater than \$10,000 are assessed a Business, Professional and Occupational License (BPOL) tax. Businesses located in the towns of Clifton, Herndon or Vienna, or in the incorporated cities of Fairfax or Falls Church, are not subject to Fairfax

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County's BPOL tax, but should check business license requirements for those jurisdictions.

New businesses must file a business license application and pay any taxes due within 75 days of the date the business began in Fairfax County. Business license renewal applications must be filed and taxes paid each year by March 1.

BPOL TAX RATES

The BPOL tax is based on gross receipts for the prior calendar year, without deductions. For businesses operating less than two years, the BPOL tax is based on estimated gross receipts.

Businesses with gross receipts of \$100,000 or less must pay a minimum BPOL tax as follows:

Gross Receipts	License/Fee
\$0 – \$10,000	No license or fee required
\$10,001 – \$50,000	\$30 flat fee
\$50,001 – \$100,000	\$50 flat fee

Businesses with gross receipts over \$100,000 are assessed BPOL tax depending on the type of business:

Business	Tax per \$100 Gross Receipts
Aircraft Leasing	\$0.04
Amusement Occupations	\$0.26
Builders and Developers	\$0.05
Business, Personal and Repair Services	\$0.19
Consultants	\$0.31
Contractors	\$0.11
Hotels and Motels	\$0.26
Money Lenders	\$0.19
Professional and Specialized Services	\$0.31
Real Estate Brokers	\$0.31
Renting by Owners (residential or commercial)	\$0.26
Research & Development (R&D):	
Federal R&D prime contractors	\$0.03
Other R&D business	\$0.31
Retail Merchants	\$0.17
Telephone and Power Companies	\$0.24
Wholesale Merchants*	\$0.04

*Based on gross purchases of items purchased for resale

BPOL EXCLUSIONS AND ADJUSTMENTS

Generally, the amount of gross receipts cannot be reduced by any costs, interests, discounts or expenses. Fairfax County does allow certain specific exclusions and adjustments, including the following:

- **Software development companies** may exclude receipts from the sale, leasing or licensing of computer software that is designed, developed or created from a definite place of business in Fairfax County.
- **Government computer hardware/software sellers**—The original cost (not resale price) of computer hardware or software sold under contract to a state or federal government entity in the United States may be deducted from gross receipts within two years of purchase.
- Businesses may exclude **gross receipts attributable to taxable business activity in another** Virginia jurisdiction, state or foreign country.
- **Receipts of venture capital and other investment funds** (except commissions and fees) are excluded from gross receipts.

- **Nonprofits**—Except for unrelated business income, the income of charitable nonprofit (501(c)) organizations may be excluded from gross receipts. Membership dues received by nonprofits also are excluded.

For more information, contact the Fairfax County Department of Tax Administration at 703-222-8234 or www.fairfaxcounty.gov/dta.

Real Property Tax

Real property in Fairfax County is assessed at 100 percent of its estimated fair market value as of January 1 of each year. The real property tax rate for the 2016 tax year is \$1.130 per \$100 of assessed value for residential property. Commercial property is taxed at the rate of \$1.255 per \$100 of assessed value.

Additional property taxes may be levied based on location, including:

- The towns of Vienna and Herndon levy an additional real property tax of \$0.23 and \$0.27 per \$100 of assessed value, respectively.
- Commercial and industrial property owners in the Route 28 Transportation Tax District pay an additional \$0.18 per \$100 of assessed value for planned highway improvements.
- Commercial property owners in the Dulles Rail Phase I Transportation Improvement District pay an extra \$0.17 per \$100 of assessed value toward construction of the new Silver Line Metrorail extension between the West Falls Church Metro station and Wiehle Avenue in Reston.
- Commercial property owners in the Dulles Rail Phase II Transportation Improvement District from Wiehle Avenue in Reston to Washington Dulles International Airport pay an extra \$0.20 per \$100 of assessed value for the new Metro line.

Other special taxing districts have been established to support specific services and facilities in the county. To determine if an address is in a special tax district and to calculate the additional levy, contact the Fairfax County Department of Tax Administration at 703-222-8234 or www.fairfaxcounty.gov/dta/realestatetax_specialtaxdis.htm.

- **Fairfax County grants a partial tax abatement to property owners who renovate, rehabilitate or re-place qualified commercial and industrial properties** (within county-designated revitalization districts only) and multifamily properties (throughout the county). For program details, go to www.fairfaxcounty.gov/dta/realestatetax_abatementprogram.htm.
- Detailed real estate and property information—including assessed commercial values—may be accessed at <http://icare.fairfaxcounty.gov>.

For more information, contact the Fairfax County Department of Tax Administration at 703-222-8234 or www.fairfaxcounty.gov/dta.

Business Personal Property Tax

All businesses in Fairfax County must pay personal property taxes on tangible business personal property (such as computers, furniture and machinery) and company-owned motor vehicles. There is no tax on inventory. All personal property (except motor vehicles that already have been reported) must be registered with the Fairfax County Department of Tax Administration by May 1. This includes property that has been fully depreciated or expensed for state and federal tax accounting purposes. The personal property tax bill is due on October 5 each year.

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TANGIBLE BUSINESS PERSONAL PROPERTY

Tangible business personal property includes desks, chairs, other furniture, fixtures, computer equipment, tools and machinery. The tax rate is \$4.57 per \$100 of assessed value. The tax is not prorated. Corporate headquarters operations located in Fairfax County may be exempt from tangible personal property tax. Assessed values are based on the original purchase cost, age and type of item.

For details, contact the Fairfax County Department of Tax Administration at 703-222-8234 or www.fairfaxcounty.gov/dta.

Other Taxes and Fees

VIRGINIA

Communication Sales and Use Tax

A 5 percent consumer sales tax is imposed by service providers on the charge for or sale of land line and wireless telephone service. The Commonwealth also levies a statewide E-911 tax of \$0.75 per telephone land line.

For more information, contact the Virginia Department of Taxation at 804-367-8037 or www.tax.virginia.gov/site.cfm?alias=TaxFacts.

Utility Consumption Tax

A state consumption tax is levied on kWh (kilowatt hour) usage of electricity and CCF (100 cubic feet) usage of natural gas. The tax appears as a separate entry on monthly electric and gas bills.

For more information, contact the Division of Public Service Taxation, Virginia State Corporation Commission, at 804-371-9480 or www.scc.virginia.gov.

Other Taxes and Fees

FAIRFAX COUNTY

Transient Occupancy Tax

Fairfax County collects a 6 percent tax on hotel, motel rooms or space rentals. The Fairfax County collection rate applied to the towns of Vienna and Herndon is 4 percent, for effective rates of 7 and 10 percent. In addition the towns of Vienna and Herndon charge a meals tax of 3 and 2.5 percent in addition to the transient occupancy tax.

For more information, contact the Fairfax County Department of Tax Administration at 703-222-8234 or www.fairfaxcounty.gov/dta.

Consumer Utility Taxes

Fairfax County levies a tax on kWh usage of electricity and CCF usage of natural gas. The tax appears as a separate entry on monthly electric and gas bills.

For more information, contact the Fairfax County Department of Tax Administration at 703-222-8234 or www.fairfaxcounty.gov/dta/tax_rates.htm

Sewer and Water Service Rates

The sewer service charge is \$6.68 per 1,000 gallons of water used each quarter.

For more information and connection fees and base rates, contact the Fairfax County Office of Waste Management at 703-324-5033 or www.fairfaxcounty.gov/dpwes.

Water service is billed quarterly at a rate of \$2.68 per 1,000 gallons of water consumed. An additional peak use charge of \$3.80 per 1,000 gallons may be assessed during June through November.

For more information and connection fees, contact Fairfax Water at 703-698-5600 or www.fairfaxwater.org/rates.

eTax Management

VIRGINIA

Virginia businesses can manage their tax accounts electronically through VATAX Online for Business, which includes:

- **iReg for Business** (www.tax.virginia.gov/content/ireg-eligibility-and-getting-started) allows new businesses to register online for most business taxes with the Virginia Department of Taxation and the Virginia Employment Commission.
- **Online Services** (www.tax.virginia.gov/content/online-services) enables business taxpayers to file and pay sales and use, employer withholding, unemployment and estimated corporate income taxes online.

Taxpayers and tax professionals also can search the Tax Policy Library and download business tax forms at www.tax.virginia.gov.

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Most Fairfax County taxes may be paid online or by phone. Tax forms and instructions can be downloaded at www.fairfaxcounty.gov/dta/forms.htm.

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