



# Town of Leesburg

Department of Finance and Administrative Services

25 W. Market Street, Leesburg, VA 20176

703-771-2723 • (fax) 703-771-2799

## BPOL EXCLUSION WORKSHEET INSTRUCTIONS

### FOR USE WITH THE TOWN OF LEESBURG BUSINESS LICENSE APPLICATIONS

#### General Information:

Exclusions are deductions from a company's gross receipts that are allowed by the *Town of Leesburg Business, Professional, and Occupational License (BPOL) Ordinance*. §58.1-3732 through §58.1-3734.1 of the *Code of Virginia* list the only deductions that may be claimed on the Town of Leesburg BPOL filing.

**Documentation is required to be supplied for ALL exclusions your company is claiming.** Listed below are the requested items that must be filed with your BPOL application and Exclusion Worksheet. Documentation must be submitted on a calendar year basis (January through December). If a company is on a fiscal year basis ending other than December 31<sup>st</sup>, please indicate fiscal year end date and provide sufficient information to convert receipts/expenses to the calendar year. Based upon a review of the materials submitted, the Town may require additional information before any deduction is allowed. Failure to provide the necessary documentation may result in denial of the claimed exclusion(s).

Each exclusion on the Exclusion Worksheet refers to the numerated instructions (1-IX) below which identify the necessary work papers, financial statements, invoices, contacts, licenses, etc., required to document your exclusion. A request for financial statements would include, but is not limited to, year-end reports commonly known as trial balances, general ledgers, income & expense reports, profit & loss statements, etc. Any financial statement submitted in support of a BPOL application must identify both the annual gross receipts of the business, as well as the receipts and/or expenses being excluded. Since BPOL is based upon the gross receipts of the preceding calendar year, so should all documentation supporting the exclusion. Please remove/redact any personal, proprietary, confidential, or otherwise sensitive information (personal names, SSN, etc.) from all materials prior to submission to this office.

#### Sections I-IX Documentation Required:

- I. **Gross receipts attributable to taxable business activity in another Virginia jurisdiction, state, or foreign country [20-241(b)(1):**
  - 1) Federal & Virginia income tax filing.
  - 2) State income tax and/or local business license tax returns; include each state tax filings apportionment schedule.
  - 3) List of gross receipts by jurisdiction or state.
  - 4) Detailed year-end financial statements that identify total gross receipts reported on the BPOL application.
  
- II. **Virginia retail sales and use tax or federal and state excise tax on motor vehicle fuel [20-241(b)(1)]:** *This exclusion can only be claimed if the sales and use tax collected has been included in your total gross receipts or if the excise tax collected on motor vehicle fuel has been included in your total gross receipts.*
  - 1) Account number as assigned by the State.
  - 2) Copies of the monthly or quarterly sales and use tax or excise tax filing(s). For excise tax exclusion, provide the number of gallons sold and total gas sales.
  - 3) Detailed year-end financial statements that identify the total gross receipts reported on the BPOL application.



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- 4) Provide calculation/work papers used to arrive at the exclusion amount.

### III. **Resellers of computer hardware and software to a federal or state government entity [20-241( c)(1)]:**

- 1) Detailed listing designating the government agency purchasing the equipment, the contract number, detailed description of the hardware/software, date equipment purchased, cost, sales price, and date sold.
- 2) Copies of the section(s) of the contract, which specify the names of the parties to the contract, the date the contract commenced, and the Statement of Work (SOW).
- 3) Copies of invoices of property purchased for resale and copies of corresponding sales invoices to the government agency.
- 4) Brief description of the nature of your business or your company's web site address.

### IV. **Membership dues and/or donations collected by nonprofit trade, business, professional, service or civic associations, or other similar nonprofit organizations. [§58.1-3606]:**

*The exclusion of membership dues or donations is limited to nonprofit organizations which collect and record such receipts as income related to their business operations on the Federal Form 990. This exclusion does not apply to businesses which pay membership dues or make charitable contributions to nonprofit organizations.*

- 1) Copy of most recently filed Federal Form 990 (Return of Organization Exempt from Income Tax)
- 2) Copy of most recently filed Federal Form 990T (Exempt Organization Business Income Tax Return)
- 3) Detailed year-end financial statements that identify total gross receipts reported on the BPOL application
- 4) Description of your organization

### V. **501(c)(6) of 501(c)(3) organizations [§58.1-3609]:**

- 1) Copy of most recently filed Federal Form 990 (Return of Organization Exempt from Income Tax)
- 2) Copy of most recently filed Federal Form 990T (Exempt Organization Business Income Tax Return)
- 3) Detailed year-end financial statements that identify total gross receipts reported on the BPOL application
- 4) Description of your organization

### VI. **Contractors [20-250(b)]:**

*This applies only to contractors with a principle place of business in Leesburg*

*Contractors as defined by Code of Virginia §58.1-3714 as business that accept contracts for work on or in any building or structure that requires the use of paint, stone, brick, mortar, steel, wood or other similar construction material, paving, excavating, plumbing, painting, wiring, etc. Contractors whose license requirements are defined by Code of Virginia §58.1-3715 with a principal office located in Leesburg may deduct from their gross receipts all work done in another jurisdiction in which a similar tax is paid, and where the amount of business done by the contractor has exceeded the sum of \$25,000 for the same license year.*

- 1) Listing of gross receipts by jurisdiction
- 2) Copies of BPOL filings, showing gross receipts reported to other jurisdictions



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- 3) Detailed year-end financial statements that identify total gross receipts reported on the BPOL application
- 4) Must provide State license # and expiration date
- 5) Proof of Workers Compensation Insurance

### **VII. Limitation of Gross Receipts; Real Estate Brokers [§58.1-3732.2]:**

*Pursuant to Chapter 20, Article 9 of the Town of Leesburg Ordinance, Real Estate Brokers must report all receipts on their BPOL filing as individual real estate agents are not licensed separately in Leesburg. In accordance with the State code §58.1-3732.2, if by contract a real estate agent receives the full commission attributed to their sales, less an adjustment for the business license fee paid by the broker on the agent's behalf, the broker may exclude from gross receipts the desk fees, apportioned business license tax, and other overhead costs reimbursed/received from the agents.*

- 1) Detail year-end financial statements that identify gross receipts on the BPOL application as well as the real estate agent desk fees, business license reimbursements, and other overhead costs paid by the agents to the broker as claimed for exclusion.
- 2) Copies of contracts with the real estate agent, which identify that the agent receives full commission and outlines which fees they paid.

### **VIII. Limitations on Gross Receipts; Staffing Firms [§58.1-3732.4]:**

*Gross receipts for license tax purposes shall not include employee salary and benefits paid by a staffing firm to, or for the benefit of, any contract employee for the period of time that the contract employee is actually employed for the use of the client company pursuant to the terms of a PEO services contract or temporary help services contract. Payments made or income received under a subcontract agreement and/or amounts reported on a Federal Form 1099 (income other than wages, salaries, or tips) do not qualify for the staffing firm exclusion. (Department of Taxation Guidelines §2.12)*

- 1) Copies of at least three contracts that your company excluded with a client. The contracts should be complete and should identify the business activities/employment responsibilities between the two contracted parties and should be applicable to the BPOL tax year filed in which a staffing exclusion is being claimed. Please include a Statement of Work (SOW) or other related work orders.
- 2) A list of the top five clients or clients that comprise 80% of the gross receipts filed for the related tax year and for which you are claiming a staffing exclusion.
- 3) Detailed year-end financial statements that identify the gross receipts reported on the BPOL application and which also identify the employee deductions (direct payroll, benefits) claimed by the exclusion.
- 4) Copy of the federal tax return for the calendar year.

### **IX. All other Exclusions:**

- 1) Identify by either Virginia State Code reference or Town of Leesburg Ordinance section the exclusion that is claimed by your business. Only submit applicable referenced Virginia State Code exclusions.
- 2) Documentation which clearly demonstrates the basis of the exclusion, such as work papers and detailed financial statements, contracts, invoices, etc.



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- 3) Brief description of the nature of business in which your company is engaged.
- 4) Any other documentation supporting your exclusion.
- 5) Federal and Virginia income tax filing.



## EXCERPTS FROM TOWN OF LEESBURG BPOL ORDINANCE

### Section 20-241

#### Sec. 20-241. - Exclusions and deductions from gross receipts.

- (a) **Generally.** Gross receipts for license tax purposes shall not include any amount not derived from the exercise of the licensed privilege to engage in a business or profession in the ordinary course of business or profession.
- (b) **Exclusions.** The following items shall be excluded from gross receipts:
- (1) Amounts received and paid to the United States, the commonwealth or any county, city or town for the Virginia retail sales or use tax, or for any local sales tax or any local excise tax on cigarettes, for any federal or state excise taxes on motor fuels.
  - (2) Any amount representing the liquidation of a debt or conversion of another asset to the extent that the amount is attributable to a transaction previously taxed (e.g., the factoring of accounts receivable created by sales which have been included in taxable receipts even though the creation of such debt and factoring are a regular part of its business).
  - (3) Any amount representing returns and allowances granted by the business to its customer.
  - (4) Receipts which are the proceeds of a loan transaction in which the licensee is the obligor.
  - (5) Receipts representing the return of principal of a loan transaction in which the licensee is the creditor, or the return of principal or basis upon the sale of a capital asset.
  - (6) Rebates and discounts taken or received on account of purchases by the licensee. A rebate or other incentive offered to induce the recipient to purchase certain goods or services from a person other than the offeror, and which the recipient assigns to the licensee in consideration of the sale of goods and services shall not be considered a rebate or discount to the licensee, but shall be included, in the licensee's gross receipts together with any handling or other fees related to the incentive.
  - (7) Withdrawals from inventory for purposes other than sale or distribution and for which no consideration is received and the occasional sale or exchange of assets other than inventory, whether or not a gain or loss is recognized for federal income tax purposes.
  - (8) Investment income not directly related to the privilege exercised by a licensable business not classified as rendering financial services. This exclusion shall apply to interest on bank accounts of the business, and to interest, dividends and other income derived from the investment of its own funds in securities and other types of investments unrelated to the licensed privilege. This exclusion shall not apply to interest, late fees and similar income attributable to an installment sale or other transaction that occurred in the regular course of business.
- (c) **Deductions.** The following shall be deducted from gross receipts or gross purchases that would otherwise be taxable:
- (1) Any amount paid for computer hardware and software that are sold to a United States federal or state government entity provided that such property was purchased within two years of the sale to said entity by the original purchaser who shall have been contractually obligated at the time of purchase to resell such property to a state or federal government entity. This deduction shall not occur until the time of resale and shall apply to only the original cost of the property and not to its resale price, and the deduction shall not apply to any of the tangible personal property which was the subject of the original resale contract if it is not resold to a state or federal government entity in accordance with the original contract obligation.



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- (2) Any receipts attributable to business conducted in another state or foreign country in which the taxpayer is liable for an income or other tax based upon income.

(Code 1976, § 17-168; Ord. No. 96-0-32, 12-11-1996)

**State Law reference**— Similar provisions, Code of Virginia, § 58.1-3732.

## EXCLUSION WORKSHEET

FOR USE WITH THE TOWN OF LEESBURG \_\_\_\_\_ BPOL  
(Tax Year)

This worksheet should be used to identify all exclusions claimed on the business license applications. It does not replace the business license application. It is intended to be used as an attachment to detail certain adjustments claimed on your business license application as permitted by statute. If your company is a new business or estimating gross receipts, please estimate as accurately as possible. All Exclusions must be supported by documentation.

Town of Leesburg Ordinance Section	Description of Exclusion	Documentation to be Provided (see Worksheet instructions)	Enter total amounts claimed for each exclusion
<b>20-241(b)(1)</b>	Gross Receipts Attributable to a taxable business activity situated, conducted, or controlled from Another Jurisdiction or State. (Enter receipts reported to others)		
<b>20-241(b)(1)</b>	Virginia Retail Sales and Use Tax or Federal and State excise tax on Motor Vehicle Fuels. Enter account number assigned by state: _____		
<b>20-241( c)(1)</b>	Resellers of Computer Hardware or Software to Federal or State Government entity. (Enter purchase cost of hardware/software)		
<i>Code of Virginia</i> <b>58.1-3606</b>	Membership Dues or Donations collected by Nonprofit charitable, trade, business, professional, service, or civic organizations.		
<i>Code of Virginia</i> <b>58.1-3609</b>	501( c)(6) or 501( c)(3) Organizations (Enter related business income)		
<b>20-250(b)</b>	Contractors (must provide State license # and expiration date.) (i.e. structural or building, paving, excavating, plumbing, painting, wiring, etc.)		
<i>Code of Virginia</i> <b>58.1-3732.2</b>	Limitation on Gross Receipts; Real Estate Brokers (Brokers enter desk fees & reimbursed overhead costs collected)		
<i>Code of Virginia</i> <b>58.1-3732.4</b>	Limitation on Gross Receipts; Staffing Firms (Enter salary & direct benefit costs paid on behalf of contract employees)		
Other: (please specify code section)			
<b>Total Exclusion(s) claimed: (Enter this figure on Line 2/Box 2 on Business License Application and Renewal form)</b>			

**ATTACH THIS WORKSHEET WITH YOUR SUPPORTING DOCUMENTATION (AS DETAILED IN THE FOLLOWING INSTRUCTIONS) AND RETURN WITH YOUR COMPLETED BUSINESS LICENSE APPLICATION. FAILURE TO PROVIDE THE LISTED SUPPORTING DOCUMENTATION MAY RESULT IN DENIAL OF THE EXCLUSION.**

NOTE: It is a Class 1 misdemeanor for any person to intentionally submit an application that he does not believe to be true and correct as to every material matter (VA Code Title 58.1-11)

Company Name: \_\_\_\_\_ Contact Person (please print): \_\_\_\_\_

Phone # / Fax #: \_\_\_\_\_ Email Address: \_\_\_\_\_

Account #: \_\_\_\_\_ Ordinance Section: \_\_\_\_\_