

# Section 11

## Utility License Tax, 2006\*

In fiscal year 2005, the utility license tax accounted for 0.8 percent of the total tax revenue for cities, 0.4 percent for counties, and 2.3 percent for large towns. These are averages; the relative importance of this tax in individual cities, counties, and towns varies significantly. For information on individual localities, see Appendix C.

Localities in Virginia may impose a local license tax on certain types of public service corporations. As authorized by § 58.1-3731 of the *Code*, localities may levy a license tax on telephone and water companies not to exceed one-half of one percent of the gross receipts of such company accruing from sales to the ultimate consumer in the locality. However, any locality that had in effect before January 1, 1972 a tax rate exceeding the current statutory ceiling may continue to tax at the previous level but may not raise the rate (see *Virginia, Acts of Assembly, 1972, c. 858*). For telephone companies, long-distance calls are not taxable under this provision. County utility license taxes do not apply within the limits of an incorporated town if the town also imposes the tax.

This levy no longer applies to electric suppliers, gas utilities, and gas suppliers as defined in § 58.1-400.2 and pipeline distribution companies as defined in § 58.1-2600. Instead, consumers of electric and gas power are subject to a levy described in §§ 58.1-2900 and 58.1-2904. (See Section 13 of this study for a listing of the current electric and gas rates.)

The utility license taxes do not apply to cable television systems (see Section 12 of this study for local taxation of cable television systems), but only to water and telephone utility providers. **Table 11.1** presents the license tax rates on telephone and water utilities for the 38 cities, 74 counties, and 111 towns that reported imposing a utility license tax during the 2006 tax year.

The table below summarizes the responses from reporting cities, counties, and towns regarding the telephone utility license tax. In the majority of cases the localities impose the maximum levy permitted of one-half of 1 percent. Several localities reported a lower tax and several a higher one, but 97 percent of the respondents charged at least the maximum levy permitted.

### Telephone Utility Tax

	Cities	Counties	Towns	Total
Less than 0.5%	0	2	4	6
Equal to 0.5%	34	71	103	208
Greater than 0.5%	4	1	3	8
Flat amount*	0	0	1	1
Total	38	74	111	223

\* The Town of Surry levies a flat amount on the utility companies.

Only 21 localities reported levying a water license tax. Three cities, 17 counties, and one town charged the maximum amount of one-half of 1 percent.



\*The telephone utility license fee will be eliminated on January 1, 2007 under new legislation provided in HB 568 (Chapter 780), from the 2006 general session. Under the new legislation, several local taxes, including the cable television system franchise tax, the local E-911 fees on landline phone service, **the business license taxes in excess of 0.5 percent gross revenues collected by several localities**, the local consumer utility taxes on landline and wireless phones, and the local consumer utility tax on cable television service (“grandfathered” in a few localities), will be eliminated in favor of a tax on customers of communications services. The Communications Sales and Use Tax will be imposed at a rate of 5 percent of the sales price of the service. More information can be found in the Virginia Municipal League’s magazine, *Virginia Town and City*, in two articles: “Collect Call: New Telecommunications Tax Law Required a Giant Leap of Faith” (May, 2006), found on the web at <http://www.vml.org/VTC/VTC4105-1.html> (9/28/2006), and “Have a Question About the New State Telecommunications Tax Law? We Have the Answer...” (June, 2006), found on the web at <http://www.vml.org/VTC/VTC4106-2.html> (9/28/2006).

**Table 11.1**  
**Utility License Tax, 2006**

Locality	Tax Levy on Gross Receipts (%)	
	Telephone	Water
<b>Cities</b> (Note: All cities responded to the survey. Those that answered "not applicable" for all items in this table are excluded.)		
Alexandria	1.03	0.5
Bristol	0.5	N/A
Buena Vista	0.5	N/A
Charlottesville	0.5	N/A
Chesapeake	0.5	N/A
Colonial Heights	0.5	N/A
Covington	0.5	N/A
Danville	0.5	N/A
Emporia	0.5	N/A
Fairfax	0.5	N/A
Falls Church	0.5	N/A
Franklin	0.5	N/A
Fredericksburg	0.5	N/A
Galax	0.5	N/A
Hampton	0.5	0.5
Harrisonburg	0.5	N/A
Hopewell	0.5	0.5
Lexington	0.5	N/A
Lynchburg	0.5	N/A
Manassas	0.5	N/A
Manassas Park	0.5	N/A
Martinsville	0.5	N/A
Newport News	0.5	N/A
Norfolk	0.5	N/A
Norton	0.5	N/A
Petersburg	0.5	N/A
Poquoson	0.5	N/A
Portsmouth	3.0	N/A
Radford	0.5	N/A
Richmond	3.0	N/A
Roanoke	2.4	N/A
Salem	0.5	N/A
Staunton	0.5	N/A
Suffolk	0.5	N/A
Virginia Beach	0.5	N/A
Waynesboro	0.5	N/A
Williamsburg	0.5	N/A
Winchester	0.5	N/A
<b>Counties</b> (Note: All counties responded to the survey. Those that answered "not applicable" for all items are excluded.)		
Accomack	0.5	0.5
Albemarle	0.5	0.5
Alleghany	0.5	0.5
Amelia	0.5	N/A
Amherst	0.5	0.5
Arlington	2.0	0.5
Augusta	0.5	N/A
Bedford	0.5	N/A
Bland	0.5	N/A
Botetourt	0.5	N/A
Brunswick	0.5	N/A
Buchanan	0.5	N/A
Buckingham	0.5	N/A
Caroline	0.5	0.5
Carroll	0.5	N/A
Charles City	0.5	0.5
Chesterfield	0.5	N/A
Clarke	0.5	N/A
Craig	0.5	0.5
Cumberland	0.5	N/A

N/A Not applicable.

**Table 11.1** Utility License Tax, 2006 (continued)

Locality	Tax Levy on Gross Receipts (%)	
	Telephone	Water
<b>Counties</b> (continued)		
Dinwiddie	0.5	N/A
Fairfax	0.24	N/A
Fauquier	0.5	N/A
Floyd	0.5	N/A
Fluvanna	0.5	N/A
Franklin	0.5	N/A
Frederick	0.5	0.5
Giles	0.5	N/A
Gloucester	0.5	0.5
	(\$30 minimum)	(\$30 minimum)
Goochland	0.5	N/A
Greensville	0.5	0.5
		(\$2 maximum)
Halifax	0.5	N/A
Hanover	0.5	N/A
Henrico	0.5	N/A
	(Excluding initial \$100,000)	
Henry	0.5	N/A
Isle of Wight	0.5	0.5
James City	0.5	0.5
King and Queen	0.5	N/A
King George	0.5	N/A
Loudoun	0.5	N/A
Lunenburg	0.5	N/A
Madison	0.5	N/A
Mathews	0.5	N/A
Montgomery	0.5	N/A
Nelson	0.5	N/A
New Kent	0.5	0.5
Northampton	0.5	N/A
Northumberland	0.5	N/A
Orange	0.5	N/A
Page	0.5	0.5
Patrick	0.5	N/A
Pittsylvania	0.5	N/A
Prince Edward	0.5	N/A
Prince George	0.5	0.5
Prince William	0.29	N/A
Pulaski	0.5	N/A
Rappahannock	0.5	N/A
Richmond	0.5	N/A
Roanoke	0.5	N/A
Rockbridge	0.5	N/A
Rockingham	0.5	N/A
Shenandoah	0.5	N/A
Smyth	0.5	N/A
Southampton	0.5	0.5
Spotsylvania	0.5	N/A
Stafford	0.5	N/A
Surry	0.5	N/A
Sussex	0.5	N/A
Tazewell	0.5	N/A
Warren	0.5	N/A
Washington	0.5	N/A
Wise	0.5	N/A
Wythe	0.5	N/A
York	0.5	N/A

N/A Not applicable.

**Table 11.1** Utility License Tax, 2006 (continued)

Locality	Tax Levy on Gross Receipts (%)	
	Telephone	Water
<b>Towns</b> (Note: Towns that answered "not applicable" for all items in this table are excluded. For a listing of town respondents and non-respondents, see Appendix B.)		
Abingdon	2.0	N/A
Alberta	0.5	N/A
Altavista	0.5	N/A
Appomattox	0.5	N/A
Ashland	0.5	N/A
Big Stone Gap	0.5	N/A
Blacksburg	0.5	N/A
Blackstone	0.5	N/A
Bluefield	0.5	N/A
Bowling Green	0.5	N/A
Boyce	0.5	N/A
Boynton	0.5	N/A
Bridgewater	0.5	N/A
Broadway	0.5	N/A
Brodnax	0.5	N/A
Buchanan	0.5	N/A
Cape Charles	0.5	N/A
Cedar Bluff	0.5	N/A
Charlotte Court House	0.5	N/A
Chase City	0.5	N/A
Chatham	0.5	N/A
Chilhowie	0.5	N/A
Chincoteague	0.5	N/A
Christiansburg	0.5	N/A
Claremont	0.5	N/A
Clarksville	0.5	N/A
Clifton Forge	0.5	N/A
Clintwood	0.5	N/A
Coeburn	0.5	N/A
Colonial Beach	0.5	N/A
Courtland	0.5	N/A
Crewe	0.5	N/A
Culpeper	0.5	N/A
Damascus	0.5	N/A
Dayton	0.5	N/A
Dillwyn	0.5	N/A
Dublin	0.5	N/A
Dumfries	0.5	N/A
Edinburg	0.5	N/A
Elkton	0.5	N/A
Farmville	0.5	N/A
Floyd	0.5	N/A
Fries	0.5	N/A
Front Royal	0.5	N/A
Glade Spring	0.5	N/A
Glasgow	0.5	N/A
Gordonsville	0.5	N/A
Goshen	0.5	N/A
Gretna	0.5	N/A
Haysi	0.5	N/A
Herndon	0.5	N/A
Hillsville	0.5	N/A
Hurt	0.5	N/A
Iron Gate	0.15	N/A
Jonesville	0.5	N/A
Kenbridge	0.5	N/A
Keysville	0.5	N/A
Kilmarnock	2.0	N/A
La Crosse	0.5	N/A
Lawrenceville	0.5	N/A

N/A Not applicable.

**Table 11.1** Utility License Tax, 2006 (continued)

Locality	Tax Levy on Gross Receipts (%)	
	Telephone	Water
<b>Towns (continued)</b>		
Lebanon	0.5	N/A
Leesburg	0.5	N/A
Louisa	0.5	N/A
Lovettsville	0.5	N/A
Luray	0.5	N/A
Marion	0.5	N/A
McKenney	0.5	N/A
Melfa	0.5	N/A
Middletown	0.5	0.5
Mineral	0.5	N/A
Narrows	0.5	N/A
New Market	0.5	N/A
Occoquan	0.5	N/A
Onancock	0.5	N/A
Orange	0.5	N/A
Pamplin	0.2	N/A
Pearisburg	0.5	N/A
Pennington Gap	0.5	N/A
Pulaski	0.5	N/A
Purcellville	0.5	N/A
Rocky Mount	0.5	N/A
Round Hill	0.5	N/A
Rural Retreat	0.5	N/A
Saint Paul	0.5	N/A
Shenandoah	0.5	N/A
Smithfield	0.5	N/A
South Boston	0.5	N/A
South Hill	0.5	N/A
Stanley	0.5	N/A
Strasburg	0.5	N/A
Stuart	0.5	N/A
Surry	\$30 flat fee	N/A
Tappahannock	0.5	N/A
Tazewell	0.5	N/A
Timberville	0.5	N/A
Troutville	3.0	N/A
Urbanna	0.5	N/A
Victoria	0.5	N/A
Vienna	0.5	N/A
Vinton	0.5	N/A
Wachapreague	0.5	N/A
Warrenton	0.5	N/A
Warsaw	0.5	N/A
Washington	0.46	N/A
Waverly	0.22	N/A
Weber City	0.5	N/A
West Point	0.5	N/A
Windsor	0.5	N/A
Wise	0.5	N/A
Woodstock	0.5	N/A
Wytheville	0.5	N/A

N/A Not applicable.