

**CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA**



Agenda Date: November, 15 2021

Action Required: Approval of Ordinance reauthorizing the Technology Zone

Presenter: Chris Engel, Director of Economic Development

Staff Contacts: Chris Engel, Director of Economic Development
Todd Divers, Commissioner of Revenue
Jason Ness, Business Development Manager

Title: **Ordinance reauthorizing the Technology Zone**

Background & Discussion: The Charlottesville technology zone ordinance allows qualifying businesses a reduction in their Business Professional and Occupational License or BPOL tax. The reduction is based on the amount of annual gross receipts and is set to a sliding scale. Charlottesville was the first Virginia City to offer the incentive and has done so since first enabled in 2001. Its purpose is to help early stage businesses survive their initial years and scale their growth while creating local job opportunities. In the past 5 years over 270 businesses have benefited from the technology zone. City Council has reauthorized this ordinance in 2006, 2011, and 2016. The current ordinance expires December 31, 2021 unless reauthorized.

Community Engagement: The Commissioner of Revenue's Office notifies all eligible businesses regarding the technology zone. Economic Development staff have engaged with business owners to discuss the positive impacts of the technology zone credit.

Alignment with City Council's Vision and Priority Areas: This agenda item aligns with Council's vision for Economic Sustainability. It also addresses one of the goals in the City's Strategic Plan that were recently adopted by Council: Goal 3: Have a Strong, Diversified Economy.

Budgetary Impact: This program impacts the general fund. Over the past ten years the credits have resulted in an average reduction of \$120,000 in revenue to the Business Professional and Occupational License. Total BPOL revenue generally ranges from \$7.2 - \$8.6 million annually.

Recommendation: An amended ordinance reauthorizing the technology zone for another five years is included herein. Staff recommends approval.

Attachments: Proposed ordinance.

**AN ORDINANCE AMENDING AND RE-ORDAINING CHAPTER 14
(LICENSES), SECTION 14-24 (TAX INCENTIVES FOR TECHNOLOGY
BUSINESSES) TO EXTEND ELIGIBILITY PERIOD FOR FIVE YEARS TO
DECEMBER 31, ~~2021~~ 2026**

BE IT ORDAINED by the Council of the City of Charlottesville, Virginia that Section 14-24 of Chapter 14 of the Charlottesville City Code, 1990, as amended, is hereby amended and reordained, as follows:

Sec. 14-24. Tax incentives for technology businesses.

(a) A "qualified technology business" is a business which meets each of the following criteria:

- (1) The business must constitute a "technology business," as that term is defined within City Code Chapter 2, Article XIV;
- (2) The business must not be operating under a certificate of public convenience issued by the Virginia State Corporation Commission;
- (3) The business must not be engaged in the provision of a "utility service" as that term is defined within section 30-221 of the City Code;
- (4) The business must certify that it expects to be engaged in a technology business throughout the tax year for which a reduction is sought (or, for new technology businesses which had not commenced doing business as of January 1 of the tax year for which application is made, for the balance of the tax year); and
- (5) The business must have submitted an application for qualification to the commissioner of revenue, on or before March 1st of the tax year for which a reduction of taxes is sought under this section. A separate application shall be required for each tax year. A business seeking to obtain a reduction of taxes under this section shall have the burden of demonstrating, to the satisfaction of the commissioner, that it meets the definition of a technology business and that it meets all applicable criteria for a reduction.

(b) The following incentives, in the form of reduction of taxes owed, shall be available to qualified technology businesses:

- (1) For a qualified technology business whose gross receipts from a technology business subject to licensure are one hundred thousand dollars (\$100,000.00) or less, any license fee which would otherwise be required

by this chapter shall be reduced by one hundred (100) percent for no more than seven (7).

- (2) A qualified technology business whose gross receipts from a technology business subject to licensure are more than \$100,000 shall receive a fifty (50) percent reduction of any taxes owed pursuant to this chapter for no more than seven (7).

Where a qualified technology business' license tax is determined pursuant to section 14-13(c) of this chapter, the commissioner shall determine the appropriate reduction based on the actual tax owed by the business for a tax year, as may be corrected by the commissioner.

(c) Except as otherwise specifically provided, nothing set forth within this section shall affect a technology business's status or classification for tax purposes, its obligation to report gross receipts and to file tax returns, or to pay any license issuance fees or local taxes under this chapter. Nothing contained in this section shall relieve any technology business from its obligation to comply with the requirements of section 14-11, or any other section, of this chapter.

(d) The tax incentives provided by this section shall be available to qualified technology businesses through the tax year ending on December 31, ~~2021~~ 2026. A qualified technology business shall receive the applicable tax reduction for no more than seven (7) tax years.