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Gross Receipts:
Virginia BPOL Ruling Addresses Sourcing Gross Receipts from Services and Payroll Apportionment

Public Document No. 22-66, Va. Dept. of Tax. (4/5/22). In another ruling involving a company providing professional and information technology services under government contracts [see *State Tax Matters*, Issue 2021-44, for details on a 2021 ruling involving a similar fact pattern], the Virginia Department of Taxation (Department) held that under the provided facts:
URL: https://www.tax.virginia.gov/laws-rules-decisions/rulings-tax-commissioner/22-66
URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/STM/211105_5.html

1. The company's cost tracking system did not accurately situs its gross receipts for purposes of a Virginia county's business, professional and occupational license (BPOL) tax, and
2. It was not otherwise possible or practical to situs gross receipts using the general statutory methods.

Accordingly, the company in this case was deemed eligible to use payroll apportionment to apportion its gross receipts. In doing so, the Department explained that the company's business operations are highly complex and span many states and countries in the performance of many contracts carried out by a sizeable number of employees and contractors, rendering the use of other statutory methods impractical and thus use of payroll apportionment in this case is justified under the circumstances. As a result, the case is being returned to the county to determine "to what extent, if at all, the [t]axpayer was eligible to claim the out-of-state deduction under the process used when payroll apportionment is used to situs gross receipts." As such, the company and the county at issue "are instructed to work together to resolve the out-of-state deduction issue." Please contact us with any questions.

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