

**REPORT OF THE  
JOINT SUBCOMMITTEE STUDYING THE**

**Imposition of the  
Local Business License Tax  
on Nonprofit Hospitals,  
Colleges, and Universities**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



**HOUSE DOCUMENT NO. 17**

**COMMONWEALTH OF VIRGINIA  
RICHMOND  
1993**

## **Members of the Subcommittee**

The Honorable Jay W. DeBoer, **Chairman**  
The Honorable Edgar S. Robb, **Vice Chairman**  
The Honorable Willard R. Finney  
The Honorable Jean W. Cunningham  
The Honorable Joseph P. Johnson, Jr.  
The Honorable William J. Howell  
The Honorable Benjamin J. Lambert, III  
The Honorable Kevin G. Miller

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**Report of the  
Joint Subcommittee Studying the  
Imposition of the Local Business License Tax  
on  
Nonprofit Hospitals, Colleges, and Universities**

**To  
The General Assembly of Virginia**

Richmond, Virginia  
January 1993

To: The General Assembly of Virginia

## I. Executive Summary

House Joint Resolution No. 361 (Appendix A), agreed to during the 1991 Session of the General Assembly, established a joint subcommittee to study the issues related to the imposition of a business license tax on nonprofit hospitals, colleges, and universities. The subcommittee was directed in the resolution's resolve clause to:

- Determine the impact of payment of such taxes on the availability and affordability of health care and of higher education; and
- Assess the contributions, financially and otherwise, currently made by the nonprofit institutions to the communities which they serve.

The joint subcommittee consisted of five members of the House of Delegates, appointed by the Speaker of the House, and three members of the Senate, appointed by the Senate Committee on Privileges and Elections.

The business, professional and occupational license (BPOL) tax has been a controversial tax for many years. The tax is levied against a business' gross receipts which is no indicator of a business' profitability. This is the major criticism of the BPOL tax. However, the tax is an important part of local tax revenues and the third largest single tax source for Virginia's counties and cities.

As with most state and local taxes, there are exemptions from the BPOL tax in the *Code of Virginia*. While nonprofit hospitals, colleges, and universities generally have enjoyed exemptions from income and property taxes, no specific exemption existed for these entities prior to 1991. During the same session in which House Joint Resolution 361 was introduced so was legislation (HB 1492) which added the exemption from the BPOL tax for nonprofit hospitals, colleges, and universities. The legislation contained a sunset date of July 1, 1993, to give the joint subcommittee examining the issues time to complete its study.

The subcommittee met once in 1991 and twice in 1992 to consider the issues enumerated in HJR 361. Testimony by representatives for the nonprofit hospitals, colleges, and universities as well as for the counties, cities, and towns was heard during the meetings.

At the end of its third and final meeting, the subcommittee deliberated about whether to (i) allow the exemption to expire, (ii) make it a permanent exemption or (iii) extend the sunset date. The subcommittee chose the final option and recommended that the exemption for nonprofit hospitals, colleges, and universities be extended for four more years until July 1, 1997.

## **II. Background**

### **A. BPOL Tax**

Counties, cities, and towns are authorized by § 58.1-3703 A of the *Code of Virginia* to levy a license tax on businesses, trades, professions and occupations ("BPOL"). This BPOL tax is imposed on a business' annual gross receipts, regardless of its profit or loss. The tax is the third largest single tax source for the Commonwealth's counties, cities, and towns.

Although an important revenue source, the BPOL tax has been subject to criticism and study for many years, especially during the 1970s. BPOL tax rates were actually frozen at their December 31, 1974, level during the 1975 Session of the General Assembly at the recommendation of the Revenue Resources and Economic Commission, which was conducting a study that resulted in the publication of Fiscal Prospects and Alternatives: 1976. Included in the publication is a detailed analysis of the BPOL tax -- its advantages and disadvantages. The analysis points out the importance of the tax as a source of revenue and also discusses the inequities of the tax structure as it then existed.

The following year, in its 1977 Report to the Governor and General Assembly,<sup>1</sup> the commission focused on one alternative for restructuring the framework of the BPOL tax. The intent was to categorize activities that had displayed similar operating ratios over a recent time period and to set maximum tax rates per gross receipts for those classes reflecting the same relative differences in profitability.

This 1977 report resulted in a proposal by the commission in its 1978 report to the Governor and the General Assembly.<sup>2</sup> An excerpt from the 1978 report explains the proposal.

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<sup>1</sup>Revenue Resources and Economic Commission, Report to the Governor and the General Assembly on Local Fiscal Issues, A Staff Report (December, 1977).

<sup>2</sup>Revenue Resources and Economic Commission, Report to the Governor and the General Assembly, Senate Doc. No. 16 (1978).

The proposal places ceilings on the local business, professional, occupational license tax as follows:

| <u>Category of Enterprise</u>                                    | <u>Tax Rate Per<br/>\$100 Gross Receipts</u> |
|--|--|
| Contracting  | .16  |
| Retail Sales   | .20  |
| Finance, real estate, and professional services                  | .58  |
| Repair, personal and business services, and all other businesses | .36  |

No such local license tax shall exceed \$30 or the rate per \$100.00 of the enterprise's gross receipts as stated above, whichever is greater. Three businesses, massage parlors, fortune tellers, and carnivals, are allowed as exceptions and no ceilings are placed on these businesses.

**NOTE:** The relationship between the ceiling rates reflects the relative differences in operating ratios between broad categories of similar activities, *i.e.*, the gross profit ratios for similar business activities as reported by the Internal Revenue Service in Statistics of Income: Business Income Tax Returns, 1970.

The Department of Taxation will be responsible for drafting regulations enumerating the various types of businesses which fall within the four broad categories. Local governments will have the option of setting varied rates for sub-categories of businesses as long as the rates do not exceed the ceiling rate of the major category.<sup>3</sup>

Today's BPOL tax provisions include many of the recommendations made by the Revenue Resources Commission in its 1978 report. The categories and maximum tax rates are identical to those recommended by the commission.

## **B. HJR 361 Study**

Prior to July 1, 1991, no specific exemption from the BPOL tax existed for nonprofit hospitals, colleges, universities and other institutions of learning. This exemption was added, however, by HB 1492 which was passed during the 1991 Session at the same time HJR 361 was approved. The bill adding the exemption also contained a sunset date of July 1, 1993. This provision was included in order to give the subcommittee formed under HJR 361 time to study the issues and to make recommendations to the 1993 General Assembly.

<sup>3</sup>Id. at 3 and 4.

The temporary exemption arose after an Attorney General's Opinion dated July 18, 1990 (Appendix B) stated that, under the law as it then read, a municipality could impose the business license tax on private colleges and universities, regardless of nonprofit status. The question arose when the city council of Lynchburg wanted to be sure that colleges and universities, for-profit and nonprofit, located within its boundaries, could be subject to the BPOL tax.

Representatives of the nonprofit hospitals throughout the Commonwealth realized that they would fall into the same category as nonprofit colleges and universities. Therefore, they, along with the nonprofit colleges and universities, were instrumental in the introduction of the 1991 legislation which added the exemption. A permanent exemption was their preference; however, during times of tight budgets, as it was then, the sunset provision was included to allow time for the subcommittee to complete its work.

### **III. Work of the Subcommittee**

#### **A. 1991 Meeting**

The joint subcommittee met once in 1991. Delegate Jay W. DeBoer was elected Chairman with Senator Thomas J. Michie elected Vice-Chairman. Other members of the subcommittee included Delegates Willard R. Finney, Jean W. Cunningham, Joseph P. Johnson, Jr., William J. Howell and Senators Benjamin J. Lambert, III and Kevin G. Miller.<sup>4</sup>

During the meeting the subcommittee heard testimony from representatives of the Virginia Hospital Association ("VHA"), the Council of Independent Colleges in Virginia ("CICV"), and the Virginia Municipal League ("VML"). Both VHA and CICV emphasized the fact that nonprofits have traditionally been exempt from taxation. For example, nonprofits do not pay tax on real or personal property which they own nor on income, unless it is unrelated business income. It was pointed out that one of the reasons nonprofits are granted these tax breaks is because of the cultural and economic contributions as well as free services which they provide to their respective communities. Some pay fees voluntarily to their local jurisdiction to help defray the costs of police and fire protection.

Apparently, nonprofits are subject to the BPOL tax on income-producing activities such as gift shops and cafeterias because they are unrelated to a nonprofit's main purpose. Finally, CICV emphasized that it would be inequitable to tax private institutions of higher learning since their public counterparts, with whom the private institutions compete, are exempt from taxation.

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<sup>4</sup>Edgar S. Robb won the election for Senator Michie's seat in November 1991 and was appointed to the subcommittee following the 1992 Session.

VML, speaking on behalf of cities and towns, focused on three main points. First, there never has been an exemption in the *Code of Virginia* for nonprofits prior to the one which led to this study. Therefore, when the BPOL tax was originally enacted, there was no intent to exempt nonprofits. Second, taking this option to tax away from the localities would further erode local revenue opportunities at a time when localities are struggling economically. Finally, restricting the revenue base for the BPOL tax unfairly places the burden on fewer taxpayers. While most localities have not levied the tax on nonprofits, they want to retain all options in this difficult financial climate.

### **B. 1992 Meetings**

The subcommittee met twice in the fall of 1992. During its first meeting in 1992, the subcommittee focused on the nonprofit hospitals and what effect the tax would have on them as well as what effect the lack of such taxing power would have on localities.

Several questions which arose during the subcommittee's last meeting in 1991 were addressed. One question centered on the possibility of collecting a service fee in lieu of the BPOL tax from the nonprofits. Localities could be allowed legislatively to collect a service fee in lieu of the BPOL tax. Using *Code* § 58.1-3400 (Payment in lieu of Real Property Taxes) as a model, localities would collect the service fee from certain nonprofit organizations (hospitals, colleges, and universities) located in the jurisdiction based on a portion of the organization's gross receipts.

According to VHA, 16 out of 61 hospitals responding to a VHA survey currently pay some kind of fee for services to localities. Such fee payments ranged from \$240 to \$448,041 per year. Currently none of the nonprofit hospitals are owned and controlled by physicians. Finally, information was provided concerning the revenues of nonprofit hospitals and the kinds of state and local taxes which such entities pay (Appendix C).

VML reported that not all jurisdictions which levy the BPOL tax do so at the maximum rates allowed by the *Code of Virginia*. Out of 41 cities and 95 counties, only 18 cities and 6 counties levy the maximum BPOL rate on the business services category, which is the category which would apply to general hospital operations. In the case of unrelated business activities of hospitals such as gift shops and cafeterias, if the BPOL tax is levied it generally is in those cases in which the unrelated business is operated by a private contractor.

Representatives from the Cities of Lynchburg and South Boston emphasized the importance of the hospitals to their communities and the importance of the hospitals paying their fair share in taxes for the services which they use. The option to levy the BPOL tax is important to all counties, cities and towns during times such as now when revenues are diminishing.



The Director of Virginia Health Services Cost Review Council presented a report showing the hospitals which operated at a profit and those which suffered losses during 1991. Included in both categories were for-profit and nonprofit hospitals. The report also contained information regarding hospitals' commercial diversification activities (Appendix D).

Finally, a representative of the University of Virginia Health Policy Research Center discussed the history of the exemption from taxation of nonprofit hospitals. Nonprofit hospitals originally were truly charitable institutions where only poor people sought medical treatment and were not of the highest caliber. People who had the money would pay to be treated at home. Also, it was explained that many states have been examining the tax exemptions for nonprofits more carefully during the last couple of years. Some states even require nonprofit hospitals to justify their exemptions in a variety of ways, including how much charity work they do.

After hearing from nonprofit hospital representatives at its first 1992 meeting, the subcommittee turned its attention to the nonprofit colleges and universities during its second meeting. Representatives from the higher education community as well as VML and the Virginia Association of Counties ("VACO") addressed the subcommittee.

The Deputy Director of the State Council of Higher Education ("SCHED") voiced the concern that allowing localities to levy the BPOL tax on private colleges and universities would result in tuition increases. This, in turn, could have an impact on the Commonwealth's general fund assuming the tuition assistance grant program was enlarged in order to award a larger grant to private higher education students seeking such assistance. Therefore, SCHED opposes allowing localities to levy the BPOL tax on nonprofit colleges and universities.

The President of CICV suggested two ways to keep private colleges and universities off the localities' BPOL tax roles. First, the current exemption could be made permanent. Second, the definition of "business, trade or profession" found in the *Code* could be amended to exclude nonprofit colleges and universities. In explaining why either one of these approaches should be taken, responses to a CICV survey were shared with the subcommittee (Appendix E). With 24 of 25 institutions replying to the survey, it was discovered that the total **gross** unrelated business income (UBI) for 1990-91 was \$1,218,721 while the **net** UBI was a loss of (\$178,377). Expenses of earning the UBI were greater than the income produced. Unrelated business income is income produced by a business associated with the college but which is unrelated to its main purpose. Sources of such UBI ranged from farm activities to snack bars and catering for outside groups.

Finally, all the nonprofit colleges and universities contribute through community service to their localities. In some areas, the nonprofit institution of higher education is the only such institution located there. There are close

ties and much involvement between these colleges and the K-12 school systems. From an economic standpoint, these institutions provide jobs as well as money spent in the community by parents, students and faculty. Last but not least are the cultural offerings which otherwise might not be available or certainly not as plentiful.

The Presidents from Ferrum College, Eastern Mennonite College, and Marymount College each emphasized the particular strengths their institutions added to their respective communities, including economic development and community service through student and faculty involvement. They also stressed that they would have to pass on, through tuition increases, any BPOL tax levied, thereby placing the burden on the students and their parents. Finally, a parent of a student at Emory and Henry College spoke about the difficulty of paying for college expenses today and how any increase could prevent many students from going to the college of their choice.

Representatives of VML and VACO emphasized that they do not believe the localities will jump on the band wagon to levy the BPOL tax if the exemption is eliminated. However, the option of levying the tax should be made available to the localities in order to keep the tax base broader if they decide it is necessary.

### **C. Deliberations and Recommendation**

At the end of its second meeting in 1992, the subcommittee decided to discuss their options regarding HJR 361. The subcommittee focused on three:

- ◆ Take no further action and allow the sunset to take effect, thereby removing the exemption from the *Code* and giving local jurisdictions the option to levy the BPOL tax on nonprofit hospitals, colleges, and universities.
- ◆ Remove the sunset provision, thereby making the exemption permanent.
- ◆ Allow the exemption to remain in the *Code* for an additional two to four years by extending the sunset provision.

Each member of the subcommittee acknowledged the dilemma in which local jurisdictions find themselves with decreasing revenues and revenue sources and increasing demand for services. However, the services and contributions, tangible and intangible, across the Commonwealth made by the nonprofit hospitals, colleges, and universities and the burden which would fall on them if the BPOL tax was levied outweighed the local jurisdictions' dilemma.

The local jurisdictions' situation does impact the subcommittee's recommendation, however, because rather than making the exemption permanent, the subcommittee decides on the last option and recommends:

- ◆ **The exemption from the BPOL tax for nonprofit hospitals, colleges, universities and other institutions of learning remain in the Code until July 1, 1997. (Appendix F)**

#### **IV. Conclusion**

The members of the subcommittee established pursuant to HJR 361 believe that their study of the imposition of the local business license tax on nonprofit hospitals, colleges, and universities was educational and necessary due to the economic hard times being experienced by both local government and the nonprofit entities which the study addressed. The materials provided and testimony given to the subcommittee by various groups and individuals were invaluable to all in understanding and evaluating the issues. The subcommittee expresses its gratitude to all participants for their work and dedication.

Respectfully submitted,

The Honorable Jay W. DeBoer, **Chairman**  
The Honorable Edgar S. Robb, **Vice Chairman**  
The Honorable Willard R. Finney  
The Honorable Jean W. Cunningham  
The Honorable Joseph P. Johnson, Jr.  
The Honorable William J. Howell  
The Honorable Benjamin J. Lambert, III  
The Honorable Kevin G. Miller

## Appendices

**A: HJR 361 Resolution**

**B: Attorney General's Opinion dated July 18, 1990**

**C: Virginia Hospital Association Survey Results**

**D: Virginia Health Services Cost Review Council Report**

**E: Council of Independent Colleges in Virginia Survey Results**

**F: Proposed Legislation**

**GENERAL ASSEMBLY OF VIRGINIA--1991 SESSION**

**HOUSE JOINT RESOLUTION NO. 361**

*Creating the Joint Subcommittee Studying the Imposition of the Local Business License Tax on Nonprofit Hospitals, Colleges, and Universities.*

Agreed to by the House of Delegates, February 22, 1991

Agreed to by the Senate, February 21, 1991

WHEREAS, § 58.1-3703(A) authorizes the governing body of any county, city, or town to impose license taxes on businesses, trades, professions, occupations, and callings; and

WHEREAS, no general exception for nonprofit status exists in § 58.1-3703; and

WHEREAS, the tax is measured by gross receipts, regardless of profit or loss; and

WHEREAS, such local license taxes imposed on gross receipts of certain businesses, professions, and occupations as a condition of doing business may involve inequities, since the taxes are payable whether or not a business, profession, or occupation earns any net income and regardless of ability to pay; and

WHEREAS, nonprofit hospitals, colleges, and universities are not specifically exempt from the business license tax, and local governing bodies may impose the tax on such nonprofit institutions if they choose to do so; and

WHEREAS, nonprofit hospitals, colleges, and universities provide affordable health care and higher education to the citizens of the Commonwealth; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That there is hereby created the Joint Subcommittee Studying the Imposition of the Local Business License Tax on Nonprofit Hospitals, Colleges, and Universities. The joint subcommittee shall examine issues related to imposition of a business license tax on nonprofit hospitals, colleges, and universities to determine the impact of payment of such taxes on the availability and affordability of health care and of higher education. The study shall include an assessment of the contribution, financial and otherwise, currently made by these nonprofit institutions to the communities they serve.

The joint subcommittee shall be composed of five members of the House of Delegates, to be appointed by the Speaker of the House, and three members of the Senate, to be appointed by Senate Committee on Privileges and Elections. The subcommittee shall consult with representatives of the hospital and higher education communities, as well as local governments. Such representation shall include, but not be limited to, the Virginia Hospital Association and the Council of Independent Colleges in Virginia.

The subcommittee shall report its findings and recommendations to the 1993 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

The indirect costs of this study are estimated to be \$17,767; the direct costs of this study shall not exceed \$11,080.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of this study.

**APPENDIX B**  
§ 58.1-3703  
58.1-3703(A)  
58.1-3703(B)  
58-320  
58-321  
58.1-3706



# COMMONWEALTH of VIRGINIA

## Office of the Attorney General

July 18, 1990

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Deborah Love-Bryant  
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Deputy Attorney General  
Judicial Affairs Division

Stephen D. Rosenthal  
Deputy Attorney General  
Criminal Law Enforcement Division

The Honorable Joyce K. Crouch  
Member, House of Delegates  
200 Timbrook Place  
Lynchburg, Virginia 24502

My dear Delegate Crouch:

You ask whether the City of Lynchburg may impose the business license tax authorized by § 58.1-3703 of the Code of Virginia upon private colleges and universities. If so, you also ask (1) whether such institutions qualifying as nonprofit nevertheless may be subject to the license tax, and (2) what receipts of such a private college or university should be taken into account in computing the amount of the business license tax.

### I. Applicable Statutes

Section 58.1-3703(A) authorizes localities to levy a license tax on certain activities:

The governing body of any county, city or town may levy and provide for the assessment and collection of . . . license taxes on businesses, trades, professions, occupations and callings and upon the persons, firms and corporations engaged therein within the county, city or town . . . .

Section 58.1-3703(B) details certain businesses, trades and occupations that are not subject to the license tax authorized under § 58.1-3703(A).

### II. Localities Not Prohibited from Imposing Local License Tax on Private Colleges and Universities, Regardless of Nonprofit Status

As noted above, § 58.1-3703(A) authorizes the governing body of any county, city or town to impose license taxes on businesses, trades, professions, occupations and callings. In order for a private college or university to be subject to a local license tax, the institution must be engaged in a business, trade, profession, occupation or calling.<sup>1</sup> There is no definition of these activities in the Commonwealth's license tax statutes.

<sup>1</sup>A prior Opinion of this Office concludes that, if a nonprofit organization is operating a licensable business for profit, a locality may impose a local business license tax. 1983-1984 Att'y Gen. Ann. Rep. 371. That Opinion does not address whether the same rule would apply if the organization did not intend to make a profit, or failed actually to do so.

A. Judicial Construction Provides Definition of Terms

In the absence of a statutory definition, nontechnical words in statutes are to be given their ordinary meaning. *Board of Supervisors v. Boaz*, 176 Va. 126, 130, 10 S.E.2d 498, 499 (1940). In *Boaz*, the Supreme Court of Virginia applied this rule to define the words at issue here:

The word 'trade' signifies barter and exchange, not restricted to commodities, but including transactions involving the medium of money. 'Occupation' is that activity in which a person, natural or artificial, is engaged with the element of a degree of permanency attached. 'Profession' is the method or means pursued by persons of technical or scientific training. The word 'business' implies some constant and connected employment as distinguished from 'an isolated act or two.'

*Id.* The Supreme Court of Virginia also has held that, for license tax purposes, "the word 'business' has a meaning broad enough to cover everything about which a person can be employed." *Portsmouth v. Citizens Trust*, 216 Va. 695, 697, 222 S.E.2d 532, 534 (1976).<sup>2</sup>

In construing the meaning of "engaged in the business of a retail merchant" in former §§ 58-320 and 58-321, the Court has held that a nonprofit employee association selling food and beverage items to its members was engaged in such a licensable business, regardless of whether the association intended to make a profit or actually realized a profit. The Court noted further that there was no statutory exclusion based on profit motive but that, instead, the volume of business activity determined whether an organization was engaged in a business. *Commonwealth v. Employees Assoc.*, 195 Va. 663, 668-69, 79 S.E.2d 621, 624 (1954).

B. Related Statutory Provisions Provide No General Exception for Nonprofit Status

Similarly, no general exception for nonprofit status exists in § 58.1-3703; the tax is measured by gross receipts, regardless of profit or loss. See § 58.1-3706.<sup>3</sup>

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<sup>2</sup>See also, *Portsmouth v. Citizens Trust Co.*, 219 Va. 903, 905-06, 252 S.E.2d 339, 341 (1979) (defining phrase "engaged in business" in city's license tax ordinance as "a course of dealing which requires the time, attention and labor of the person so engaged for the purpose of earning a livelihood or profit [and] implies a continuous and regular course of dealing, rather than an irregular or isolated transaction" (quoting *Young v. Town of Vienna*, 203 Va. 265, 267, 123 S.E.2d 388, 390 (1962))).

<sup>3</sup>See also Dep't Tax'n, *Guidelines for Loc. Bus., Prof. & Occupational License Taxes* at 13, 23-24 (Jan. 1, 1984) (providing that nonprofit institution engaged in buying and selling merchandise for charitable purposes may be subject to local license tax as retail or wholesale merchant, and that services subject to maximum rate for local license tax include profit or nonprofit hospitals and schools of music and art).

In one instance, the General Assembly expressly has limited the authority of localities to impose local license taxes on a nonprofit activity. Section 58.1-3703(B)(8) prohibits the imposition of the local license tax on a "wholesaler or retailer" for "selling bicentennial medals on a nonprofit basis for the benefit of the Virginia Independence Bicentennial Commission or any local bicentennial commission." (Emphasis added.) This specific prohibition reflects a legislative realization that no general exemption from local license taxes exists for nonprofit activities.

Private educational institutions generally engage in a continuous and regular course of dealing, in which they provide educational services for compensation. Based on the above, it is my opinion that the City of Lynchburg may impose a local license tax, pursuant to § 58.1-3703, upon both profit and nonprofit private colleges and universities that regularly provide their services for compensation. However, because § 58.1-3703 is permissive rather than mandatory, the city council may exempt nonprofit institutions from such license tax if it chooses to do so.

**III. Tuition Payments or Other Consideration for Services,  
but Not Gratuitous Transfers, Constitute Gross Receipts**

Business license taxes are calculated on the gross receipts of the business to be taxed. See § 58.1-3706. The term "gross receipts" likewise is not defined in the Code of Virginia. The term "gross receipts" generally refers to the total amount of money or other consideration received from selling property or from performing services. *New Mexico Enterprises, Inc. v. Bureau of Revenue*, 86 N.M. 799, 528 P.2d 212 (1974). Any "donation or gift, on the other hand, is '[a] voluntary transfer of property to another made gratuitously and without consideration.'" 1989 Att'y Gen. Ann. Rep. 311, 312 (quoting *Black's Law Dictionary* 619 (5th ed. 1979)) (emphasis omitted).

None of the exemptions to local business license taxation in § 58.1-3703(B) applies to a private college or university. It is my opinion, therefore, that revenues realized by a private college or university in payment for property provided (e.g., income from the sale of books) and services rendered (e.g., tuition payments) may be included as gross receipts for local business license tax purposes. Donations received, however, are not part of gross receipts subject to the business license tax, when they are made gratuitously, and not in payment for goods or services.

With kindest regards, I am

Sincerely,



Mary Sue Terry  
Attorney General



**SURVEY**

**LOCAL SERVICE FEES PAID BY HOSPITALS**

The survey was sent on 8/6/92 and the hospitals were requested to respond by 8/18/92

92 hospitals were sent the survey.

66% (or 61 hospitals) of the hospitals surveyed responded.

26% of the hospitals surveyed responded that they did pay local service fees.

Question: Is your hospital paying service fees to a locality as compensation for the locality's provision to the hospital of services such as police and fire protection, garbage disposal, hazardous waste disposal, and parking.

**YES** - 26% (or 16 out of 61 hospitals)

**Buchanan General Hospital:**

Total Amount: \$12,096 annually

Time: Since the inception of Hospital

**Centra Health:**

Total Amount: \$448,041 - '92; \$413,143 -'91

Time: 2 years

Note: Pay a Gross Receipts Tax

**Community Memorial Healthcenter:**

Total Amount: \$3,000 per month

Time: Since 1952

Note: Water, sewage, and garbage - paid by all businesses and residents of town

**Halifax-South Boston:**

Total Amount: \$3,600 - annually

Time: Three years

Note: Only garbage and disposal - support services building

**Lake Taylor Hospital:**

Total Amount: \$1,850 per month

Time: 4 years

Note: Disposal and refuse

**Lonesome Pine Hospital:**

Total Amount: \$180.00 per month

Time: Always

Note: Only garbage; part of water bill for all residents and business

**Portsmouth General Hospital:**

Total Amount: \$183,694 per year

Time: Always

**Radford Community Hospital:**

Total Amount: \$302,700

Time: since the inception of hospital

Note: Water, sewer, garbage pickup

**Riverside Regional Medical Center:**

Total Amount: \$5,200 - per month

Note: Sewage

**Riverside Tappahanock Hospital:**

Total Amount: \$10,000/year

Time: Since the acquisition in 1989

**Sentara Leigh Hospital:**

Total Amount: \$87,146.52

Note: Trash fee \$36/ ton - city tax on utilities

**Southampton Memorial Hospital:**

Total Amount: \$240/year - for monitoring the fire alarm panel

Time: Less than one year

**Southside Regional Medical Center:**

Note: Approximately 45 days ago, the Petersburg City Council approved a budget requiring the hospital to pay a fee for police and fire protection

**Smyth County Community Hospital:**

Total Amount: \$1,350 per month on average

Time: Approx. 2 years

**Tazewell Community:**

Total Amount \$2400.00

Time: 18 months

**Twin County Community Hospital:**

Total Amount: \$532.80 - quarterly

Time: 4 years

NOT-FOR-PROFIT HOSPITALS WITH FOR-PROFIT AFFILIATES

| NAME                                      | NO. OF<br>AFFILIATES | TOTAL REV.    | NET PROFIT    |
|---|----------------------|---------------|---------------|
| Alexandria Health Services Corp.          | 2                    | \$4,617,777   | \$466,543     |
| Blue Ridge Health Systems, Inc.           | 2                    | \$351,314     | (\$5,723)     |
| Bon Secours-Maryview Health Corp.         | 2                    | \$3,876,000   | (\$655,000)   |
| Bon Secours-St. Mary's Health Corp.       | 1                    | \$4,398,000   | \$456,000     |
| Carilion Health System                    | 17                   | \$98,649,831  | (\$963,459)   |
| Centra Health, Inc.                       | 2                    | \$1,104,766   | (\$393,741)   |
| Chesapeake Health Services                | 8                    | \$940,938     | (\$872,046)   |
| Children's Health System, Inc.            | 1                    | \$2,235,000   | (\$28,000)    |
| Depaul Health System of Virginia          | 1                    | \$1,077,000   | (\$327,000)   |
| The Faquier Hospital Foundation, Inc.     | 1                    | \$0           | \$0           |
| Hampton Roads Healthcare, Inc.            | 1                    | \$179,510     | (\$440,450)   |
| Health Corporation of Virginia            | 5                    | \$2,610,941   | (\$1,010,270) |
| Inova Health System                       | 13                   | \$20,426,232  | \$4,508,423   |
| John Randolph Hospital                    | 1                    | \$1,295,919   | \$145,187     |
| Johnston Memorial Hospital, Inc.          | 1                    | \$0           | \$0           |
| Loudoun Healthcare, Inc.                  | 1                    | \$51,545      | (\$245,344)   |
| Mary Immaculate Health Corp.              | 1                    | \$570,647     | (\$595,498)   |
| Memorial Hospital of Danville             | 3                    | \$16,130      | (\$105,439)   |
| Memorial Hospital of Martinsville & Henry | 2                    | \$23,648      | \$19,999      |
| MWH MediCorp                              | 1                    | \$8,839,198   | \$214,912     |
| National Hospital Health System Corp.     | 2                    | \$122,814     | (\$153,732)   |
| Norton Community Health Services, Inc.    | 2                    | \$1,407,829   | \$56,252      |
| Potomac Health Care Corp.                 | 6                    | \$2,524,981   | (\$853,950)   |
| PWH Corporation                           | 3                    | \$930,302     | (\$192,270)   |
| Richmond Community Hospital, Inc.         | 1                    | \$18,578      | (\$63,483)    |
| Riverside Health System                   | 1                    | \$4,488,733   | (\$252,736)   |
| R.J. Reynold-Patrick County Mem. Hospital | 1                    | \$1,101,226   | (\$82,936)    |
| Sentara Health System                     | 1                    | \$52,962,422  | \$1,310,644   |
| Smyth County Community Hospital           | 1                    | \$392,957     | (\$240,248)   |
| Southside Community Hospital              | 1                    | \$0           | \$0           |
| Southside Medical Systems, Inc.           | 2                    | \$557,649     | (\$229,740)   |
| Southside Regional Medical Center         | 1                    | \$56,119      | \$41,419      |
| Tidewater Health Care, Inc.               | 1                    | \$1,711,648   | (\$170,852)   |
| Twin County Community Hospital, Inc.      | 2                    | \$695,493     | \$130,996     |
| Williamsburg Health Services, Inc.        | 1                    | \$37,802      | (\$37,844)    |
| Winchester Regional Health Systems, Inc.  | 1                    | \$2,415,574   | \$40,483      |
|   |                      |               |               |
| TOTAL                                     |                      | \$220,688,523 | (\$528,903)   |
| AVERAGE                                   |                      | \$6,130,237   | (\$14,692)    |

NOTE: based upon 1990 data

## STATE AND LOCAL TAXES PAID BY NOT-FOR-PROFIT HOSPITALS

### LICENSE TAXES:

Not-for-profit hospitals are subject to local license taxes for retail sales of its non-tax-exempt activities (such as gift shops, cafeterias, and over-the-counter pharmacy operations) or for-profit affiliates and for personal or business services rendered by such affiliates. They have paid BPOL tax for professional services, such as payment of tax for physician employees.

### INCOME TAXES:

State and local income taxes are imposed on tax-exempt hospitals' business income which is federally taxable or otherwise unrelated to their tax-exempt purpose.

### SALES TAXES:

Not-for-profit hospitals are required to collect state and local sales taxes as sellers of goods not specifically exempt from sales tax by statute. They pay sales taxes on goods purchased for purposes other than for use or consumption by the hospital, unless such goods are otherwise specifically exempt by statute.

### PROPERTY TAXES:

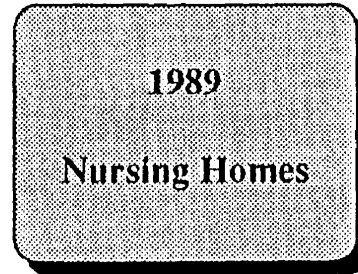
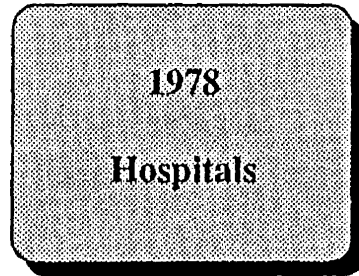
Personal and real property taxes are imposed on not-for-profit hospitals to the extent that such property is not used in accordance with its charitable purpose.

Tax-exempt not-for-profit hospitals pay real property taxes on buildings or portions thereof used as "source of revenue or profit." The 1992 General Assembly passed legislation requiring that the portion of a tax-exempt entity's property used to generate "unrelated business taxable income" as defined by the IRS is subject to real property taxation; this provision takes effect only if reenacted by the 1993 General Assembly.

**Presentation  
Regarding  
HJR NO. 361 (1991)  
Virginia Health Services  
Cost Review Council**

**John A. Rupp, Executive Director  
September 28, 1992**

# Facilities Currently Reviewed



**100 Acute Care & Rehabilitation Hospitals**

**16 Psychiatric Hospitals**

**15 Outpatient Surgical Hospitals**

**234 Nursing Homes & Hospital - Based Long Term Units**

**23 Continuing Care Retirement Communities**

|                    | <b>NOT-FOR -PROFIT</b> | <b>FOR-PROFIT</b> |
|--------------------|------------------------|-------------------|
| <b>ACUTE</b>       | <b>84</b>              | <b>16</b>         |
| <b>PSYCHIATRIC</b> | <b>3</b>               | <b>13</b>         |
| <b>OUTPATIENT</b>  | <b>3</b>               | <b>12</b>         |

# Hospitals and Nursing Homes Required Submissions

VHSCRC  
Required  
Information  
  
Budgets

VHSCRC  
Required  
Information  
  
Historicals

VHSCRC  
Required  
Information  
  
Audits

 IRS Form 990

 Charge Survey

 Commercial  
Diversification  
Survey

# **COMMERCIAL DIVERSIFICATION**



## **BACKGROUND**

- ◆ **House Joint Resolution No. 303 of the 1987 Session of the Virginia General Assembly requested that a joint subcommittee investigate the extent of unfair competition between non-profit organizations and small for-profit businesses in Virginia.**
  
- ◆ **Concerns:**
  - Fairness**
  - Loss of Tax Revenue**
  - Appropriateness**
  
- ◆ **In response to that study, the 1988 Session of the Virginia General Assembly mandated that the Virginia Health Services Cost Review Council survey the extent of commercial diversification by Virginia's hospitals. Non-profit organizations were required to file additional information.**

## COMMERCIAL DIVERSIFICATION SURVEY

The Commercial Diversification Survey reports the organizational structure and selected financial data for Virginia's health care institutions, parent or controlling corporations, and any affiliated corporations.

The following information is required to be submitted for each health care institution, controlling corporation, and reported affiliate:

- |  |   |
|--|---|
| * 1. Name of Corporation                               | * 2. Principal Activity                   |
| * 3. Total Revenues                                    | * 4. Net Profit or Net Income             |
| * 5. Total Assets                                      | * 6. Net Equity or Fund Balance           |
| 7. Type of Business Structure                          | 8. Type of Control                        |
| 9. Method of Affiliation (Whether created or acquired) | 10. Date of Affiliation                   |
| 11. Amount of Initial Capital Contribution             | 12. Share of Initial Capital Contribution |
| 13. Source of Capital                                  | 14. Current Percentage of Ownership       |
| 15. Related Party Transactions                         | 16. Consolidated Audit & Schedules        |

## COMMERCIAL DIVERSIFICATION SURVEY

### ORGANIZATIONS INCLUDED IN THE SURVEY

|                | 1988      | 1989      | 1990      | 1991      |
|----------------|-----------|-----------|-----------|-----------|
| FOR-PROFIT     | 17        | 17        | 20        | 20        |
| NOT-FOR-PROFIT | <u>76</u> | <u>73</u> | <u>74</u> | <u>71</u> |
| TOTAL          | 93        | 90        | 94        | 91        |

### HOSPITALS INCLUDED IN SURVEY

|                | 1988      | 1989      | 1990      | 1991      |
|----------------|-----------|-----------|-----------|-----------|
| FOR-PROFIT     | 37        | 37        | 42        | 40        |
| NOT-FOR-PROFIT | <u>87</u> | <u>87</u> | <u>87</u> | <u>86</u> |
| TOTAL          | 124       | 124       | 129       | 126       |

### AFFILIATES INCLUDED IN THE SURVEY

|                | 1988       | 1989      | 1990      | 1991       |
|----------------|------------|-----------|-----------|------------|
| NOR-PROFIT     | 122        | 120       | 118       | 112        |
| NOT-FOR-PROFIT | <u>101</u> | <u>99</u> | <u>99</u> | <u>102</u> |
| TOTAL          | 223        | 219       | 217       | 214        |

**IRGINIA HEALTH SERVICES COST REVIEW COUNCIL**  
**COMMERCIAL DIVERSIFICATION SURVEY**  
**HOSPITAL FINANCIAL DATA**  
**DECEMBER 1, 1991**

| 1988 SURVEY  |                      |                    |                      |                      |                  |                                   |
|--|----------------------|--------------------|----------------------|----------------------|------------------|-----------------------------------|
|  | Revenues             | Net Profit/Loss    | Assets               | Net Equity           | Return on Assets | Net Profit/Loss as a % of revenue |
| <b>Acute Care Hospitals</b>                          |                      |                    |                      |                      |                  |                                   |
| for-profit   | 614,616,005          | 40,505,463         | 386,861,191          | 139,346,399          | 10.5%            | 6.6%                              |
| not-for-profit                                       | <u>3,293,121,796</u> | <u>159,460,976</u> | <u>3,126,760,787</u> | <u>1,778,089,295</u> | 5.1%             | 4.8%                              |
| total acute care                                     | <u>3,907,737,801</u> | <u>199,966,439</u> | <u>3,513,621,978</u> | <u>1,917,435,694</u> | 5.7%             | 5.1%                              |
| <b>Psychiatric Hospitals</b>                         |                      |                    |                      |                      |                  |                                   |
| for-profit   | 169,340,721          | 10,491,220         | 172,843,963          | 61,280,399           | 6.1%             | 6.2%                              |
| not-for-profit                                       | <u>85,887,798</u>    | <u>1,499,960</u>   | <u>82,928,139</u>    | <u>39,947,644</u>    | 1.8%             | 1.7%                              |
| total psychiatric                                    | <u>255,228,519</u>   | <u>11,991,180</u>  | <u>255,772,102</u>   | <u>101,228,043</u>   | 4.7%             | 4.7%                              |
| <b>Outpatient Surgical Hospitals</b>                 |                      |                    |                      |                      |                  |                                   |
| for-profit   | 8,801,605            | 1,628,274          | 3,608,332            | 2,108,408            | 45.1%            | 18.5%                             |
| not-for-profit                                       | <u>6,179,415</u>     | <u>159,165</u>     | <u>4,164,791</u>     | <u>(1,014,884)</u>   | 3.8%             | 2.6%                              |
| total OSH  | <u>14,981,020</u>    | <u>1,787,439</u>   | <u>7,773,123</u>     | <u>1,093,524</u>     | 23.0%            | 11.9%                             |
| <b>Rehabilitation Hospitals (all not-for-profit)</b> | <u>13,871,530</u>    | <u>(907,381)</u>   | <u>43,055,716</u>    | <u>41,063,759</u>    | -2.1%            | -6.5%                             |
| total for-profit                                     | 792,758,331          | 52,624,957         | 563,313,486          | 202,735,206          | 9.3%             | 6.6%                              |
| total not-for-profit                                 | <u>3,399,060,539</u> | <u>160,212,720</u> | <u>3,256,909,433</u> | <u>1,858,085,814</u> | 4.9%             | 4.7%                              |
| <b>All Hospitals</b>                                 | <u>4,191,818,870</u> | <u>212,837,677</u> | <u>3,820,222,919</u> | <u>2,060,821,020</u> | 5.6%             | 5.1%                              |
| 1989 SURVEY  |                      |                    |                      |                      |                  |                                   |
|  | Revenues             | Net Profit/Loss    | Assets               | Net Equity           | Return on Assets | Net Profit/Loss as a % of revenue |
| <b>Acute Care Hospitals</b>                          |                      |                    |                      |                      |                  |                                   |
| for-profit   | 811,389,333          | 54,437,502         | 463,548,860          | 85,694,549           | 11.7%            | 6.7%                              |
| not-for-profit                                       | <u>4,192,586,567</u> | <u>183,680,675</u> | <u>3,437,648,352</u> | <u>1,980,343,194</u> | 5.3%             | 4.4%                              |
| total acute care                                     | <u>5,003,975,900</u> | <u>238,118,177</u> | <u>3,901,197,212</u> | <u>2,066,037,743</u> | 6.1%             | 4.8%                              |
| <b>Psychiatric Hospitals</b>                         |                      |                    |                      |                      |                  |                                   |
| for-profit   | 209,997,528          | 16,028,208         | 190,075,783          | 67,040,728           | 8.4%             | 7.6%                              |
| not-for-profit                                       | <u>31,695,704</u>    | <u>715,383</u>     | <u>20,744,194</u>    | <u>10,904,035</u>    | 3.4%             | 2.3%                              |
| total psychiatric                                    | <u>241,693,232</u>   | <u>16,743,591</u>  | <u>210,819,977</u>   | <u>77,944,763</u>    | 7.9%             | 6.9%                              |
| <b>Outpatient Surgical Hospitals</b>                 |                      |                    |                      |                      |                  |                                   |
| for-profit   | 14,336,953           | 1,752,940          | 8,193,874            | 7,001,033            | 21.4%            | 12.2%                             |
| not-for-profit                                       | <u>7,822,326</u>     | <u>110,542</u>     | <u>906,387</u>       | <u>(1,703,894)</u>   | 12.2%            | 1.4%                              |
| total OSH  | <u>22,159,279</u>    | <u>1,862,482</u>   | <u>9,100,261</u>     | <u>5,297,139</u>     | 20.5%            | 8.4%                              |
| <b>Rehabilitation Hospitals (all not-for-profit)</b> | <u>18,332,245</u>    | <u>(979,790)</u>   | <u>47,630,869</u>    | <u>44,659,600</u>    | -2.1%            | -5.3%                             |
| total for-profit                                     | 1,035,723,814        | 72,218,650         | 661,818,517          | 159,736,310          | 10.9%            | 7.0%                              |
| total not-for-profit                                 | <u>4,250,436,842</u> | <u>183,526,810</u> | <u>3,506,929,802</u> | <u>2,034,202,935</u> | 5.2%             | 4.3%                              |
| <b>All Hospitals</b>                                 | <u>5,286,160,656</u> | <u>255,745,460</u> | <u>4,168,748,319</u> | <u>2,193,939,245</u> | 6.1%             | 4.8%                              |

VIRGINIA HEALTH SERVICES COST REVIEW COUNCIL  
COMMERCIAL DIVERSIFICATION SURVEY  
HOSPITAL FINANCIAL DATA  
DECEMBER 1, 1991

| 1990 SURVEY  |                      |                    |                      |                      |                  |                                   |
|--|----------------------|--------------------|----------------------|----------------------|------------------|-----------------------------------|
|  | Revenues             | Net Profit/Loss    | Assets               | Net Equity           | Return on Assets | Net Profit/Loss as a % of revenue |
| <b>Acute Care Hospitals</b>                          |                      |                    |                      |                      |                  |                                   |
| for-profit   | 920,372,759          | 38,937,519         | 557,629,986          | 112,558,990          | 7.0%             | 4.2%                              |
| not-for-profit                                       | 4,872,196,220        | 190,217,830        | 3,785,385,708        | 2,190,202,158        | 5.0%             | 3.9%                              |
| total acute care                                     | <u>5,792,568,979</u> | <u>229,155,349</u> | <u>4,343,015,694</u> | <u>2,302,761,148</u> | 5.3%             | 4.0%                              |
| <b>Psychiatric Hospitals</b>                         |                      |                    |                      |                      |                  |                                   |
| for-profit   | 247,235,054          | 12,334,305         | 178,544,074          | 78,764,154           | 6.9%             | 5.0%                              |
| not-for-profit                                       | 28,815,524           | (1,480,085)        | 22,709,256           | 12,145,852           | -6.5%            | -5.1%                             |
| total psychiatric                                    | <u>276,050,578</u>   | <u>10,854,220</u>  | <u>201,253,330</u>   | <u>90,910,006</u>    | 5.4%             | 3.9%                              |
| <b>Outpatient Surgical Hospitals</b>                 |                      |                    |                      |                      |                  |                                   |
| for-profit   | 20,467,162           | 2,106,342          | 15,537,702           | 10,946,530           | 13.6%            | 10.3%                             |
| not-for-profit                                       | 9,380,169            | 905,522            | 4,669,900            | (798,378)            | 19.4%            | 9.7%                              |
| total OSH  | <u>29,847,331</u>    | <u>3,011,864</u>   | <u>20,207,602</u>    | <u>10,148,152</u>    | 14.9%            | 10.1%                             |
| <b>Rehabilitation Hospitals (all not-for-profit)</b> | <u>24,983,803</u>    | <u>(1,207,857)</u> | <u>51,004,081</u>    | <u>48,563,180</u>    | -2.4%            | -4.8%                             |
| total for-profit                                     | 1,188,074,975        | 53,378,166         | 751,711,762          | 202,269,674          | 7.1%             | 4.5%                              |
| total not-for-profit                                 | 4,935,375,716        | 188,435,410        | 3,863,768,945        | 2,250,112,812        | 4.9%             | 3.8%                              |
| <b>All Hospitals</b>                                 | <u>6,123,450,691</u> | <u>241,813,576</u> | <u>4,615,480,707</u> | <u>2,452,382,486</u> | 5.2%             | 3.9%                              |
| 1991 SURVEY  |                      |                    |                      |                      |                  |                                   |
|  | Revenues             | Net Profit/Loss    | Assets               | Net Equity           | Return on Assets | Net Profit/Loss as a % of revenue |
| <b>Acute Care Hospitals</b>                          |                      |                    |                      |                      |                  |                                   |
| for-profit   | 1,095,154,639        | 41,254,100         | 662,569,238          | 252,853,987          | 6.2%             | 3.8%                              |
| not-for-profit                                       | 5,654,516,744        | 241,818,736        | 4,198,248,897        | 2,375,271,167        | 5.8%             | 4.3%                              |
| total acute care                                     | <u>6,749,671,383</u> | <u>283,072,836</u> | <u>4,860,818,135</u> | <u>2,628,125,154</u> | 5.8%             | 4.2%                              |
| <b>Psychiatric Hospitals</b>                         |                      |                    |                      |                      |                  |                                   |
| for-profit   | 230,729,028          | (8,976,174)        | 210,425,997          | 65,898,384           | -4.3%            | -3.9%                             |
| not-for-profit                                       | 27,162,510           | 1,029,231          | 23,697,592           | 13,630,831           | 4.3%             | 3.8%                              |
| total psychiatric                                    | <u>257,891,538</u>   | <u>(7,946,943)</u> | <u>234,123,589</u>   | <u>79,529,215</u>    | -3.4%            | -3.1%                             |
| <b>Outpatient Surgical Hospitals</b>                 |                      |                    |                      |                      |                  |                                   |
| for-profit   | 26,763,574           | 3,331,720          | 17,809,540           | 12,983,769           | 18.7%            | 12.4%                             |
| not-for-profit                                       | 12,266,847           | 1,171,629          | 5,124,806            | 424,553              | 22.9%            | 9.6%                              |
| total OSH  | <u>39,030,421</u>    | <u>4,503,349</u>   | <u>22,934,346</u>    | <u>13,408,322</u>    | 19.6%            | 11.5%                             |
| <b>Rehabilitation Hospitals (all not-for-profit)</b> | <u>34,497,642</u>    | <u>5,744,819</u>   | <u>56,345,237</u>    | <u>54,276,778</u>    | 10.2%            | 16.7%                             |
| total for-profit                                     | 1,352,647,241        | 35,609,646         | 890,804,775          | 331,736,140          | 4.0%             | 2.6%                              |
| total not-for-profit                                 | 5,728,443,743        | 249,764,415        | 4,283,416,532        | 2,443,603,329        | 5.8%             | 4.4%                              |
| <b>All Hospitals</b>                                 | <u>7,081,090,984</u> | <u>285,374,061</u> | <u>5,174,221,307</u> | <u>2,775,339,469</u> | 5.5%             | 4.0%                              |

VIRGINIA HEALTH SERVICES COST REVIEW COUNCIL  
 COMMERCIAL DIVERSIFICATION SURVEY  
 DECEMBER 1, 1991

1988 SURVEY FINANCIAL DATA: ALL AFFILIATES

|                | <u>Revenues</u>    | <u>Net Profit/Loss</u> | <u>Assets</u>      | <u>Net Equity</u>  | <u>Return on Assets</u> | <u>Net Profit/Loss as a % of revenue</u> |
|----------------|--------------------|------------------------|--------------------|--------------------|-------------------------|--|
| For-Profit     | 90,272,438         | (3,072,313)            | 179,275,498        | 34,430,956         | -1.7%                   | -3.4%                                    |
| Not-for-Profit | 170,950,215        | 24,948,006             | 437,574,881        | 324,184,059        | 5.7%                    | 14.6%                                    |
| Total          | <u>261,222,653</u> | <u>21,875,693</u>      | <u>616,850,379</u> | <u>358,615,015</u> | 3.5%                    | 8.4%                                     |

1989 SURVEY FINANCIAL DATA: ALL AFFILIATES

|                | <u>Revenues</u>    | <u>Net Profit/Loss</u> | <u>Assets</u>      | <u>Net Equity</u>  | <u>Return on Assets</u> | <u>Net Profit/Loss as a % of revenue</u> |
|----------------|--------------------|------------------------|--------------------|--------------------|-------------------------|--|
| For-Profit     | 177,718,909        | (3,521,718)            | 228,157,816        | 48,400,769         | -1.5%                   | -2.0%                                    |
| Not-for-Profit | 203,016,960        | 8,254,203              | 515,305,219        | 320,348,878        | 1.6%                    | 4.1%                                     |
| Total          | <u>380,735,869</u> | <u>4,732,485</u>       | <u>743,463,035</u> | <u>368,749,647</u> | 0.6%                    | 1.2%                                     |

1990 SURVEY FINANCIAL DATA: ALL AFFILIATES

|                | <u>Revenues</u>    | <u>Net Profit/Loss</u> | <u>Assets</u>      | <u>Net Equity</u>  | <u>Return on Assets</u> | <u>Net Profit/Loss as a % of revenue</u> |
|----------------|--------------------|------------------------|--------------------|--------------------|-------------------------|--|
| For-Profit     | 179,833,686        | 3,198,560              | 206,174,822        | 35,724,213         | 1.6%                    | 1.8%                                     |
| Not-for-Profit | 316,743,784        | 32,419,875             | 668,719,878        | 352,765,509        | 4.8%                    | 10.2%                                    |
| Total          | <u>496,577,470</u> | <u>35,618,435</u>      | <u>874,894,700</u> | <u>388,489,722</u> | 4.1%                    | 7.2%                                     |

1991 SURVEY FINANCIAL DATA: ALL AFFILIATES

|                | <u>Revenues</u>    | <u>Net Profit/Loss</u> | <u>Assets</u>      | <u>Net Equity</u>  | <u>Return on Assets</u> | <u>Net Profit/Loss as a % of revenue</u> |
|----------------|--------------------|------------------------|--------------------|--------------------|-------------------------|--|
| For-Profit     | 233,583,597        | 6,749,708              | 249,990,376        | 47,874,016         | 2.7%                    | 2.9%                                     |
| Not-for-Profit | 373,234,211        | 33,298,920             | 719,356,216        | 463,617,472        | 4.6%                    | 8.9%                                     |
| Total          | <u>606,817,808</u> | <u>40,048,628</u>      | <u>969,346,592</u> | <u>511,491,488</u> | 4.1%                    | 6.6%                                     |

VIRGINIA HEALTH SERVICES COST REVIEW COUNCIL  
 COMMERCIAL DIVERSIFICATION SURVEY  
 DECEMBER 1, 1991

ACTIVITIES AND FUNCTIONS OF THE AFFILIATES

|  | 1988 Survey |                | 1989 Survey |                | 1990 Survey |                | 1991 Survey |                |
|--|-------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|
|  | for-profit  | not-for-profit | for-profit  | not-for-profit | for-profit  | not-for-profit | for-profit  | not-for-profit |
| <b>1. Affiliates of the not-for-profit hospitals</b> |             |                |             |                |             |                |             |                |
| a. holding company                                   | 13          | 11             | 13          | 13             | 14          | 12             | 15          | 12             |
| b. fund raising                                      | 0           | 12             | 0           | 11             | 0           | 11             | 0           | 14             |
| c. physician billing                                 | 3           | 1              | 1           | 2              | 1           | 2              | 1           | 2              |
| d. collection agency                                 | 5           | 2              | 5           | 2              | 5           | 2              | 5           | 2              |
| e. home health                                       | 2           | 8              | 1           | 11             | 2           | 8              | 1           | 8              |
| f. outpatient radiology, CT Scan, MRI                | 5           | 4              | 4           | 4              | 3           | 5              | 3           | 3              |
| g. urgent care centers                               | 10          | 2              | 8           | 1              | 8           | 1              | 7           | 1              |
| h. other outpatient services                         | 21          | 14             | 20          | 16             | 20          | 18             | 16          | 19             |
| i. long term care                                    | 2           | 9              | 2           | 10             | 2           | 13             | 2           | 14             |
| j. pharmacy  | 3           | 0              | 6           | 1              | 4           | 0              | 3           | 0              |
| k. medical equipment & supplies                      | 3           | 1              | 4           | 1              | 4           | 1              | 5           | 1              |
| l. fitness & wellness centers                        | 4           | 1              | 4           | 1              | 3           | 1              | 3           | 1              |
| m. unrelated to health care                          | 14          | 11             | 17          | 10             | 17          | 10             | 14          | 11             |
| n. PPO's, HMO's & insurance                          | 4           | 1              | 5           | 1              | 5           | 1              | 5           | 1              |
| o. real estate management & rental                   | 5           | 2              | 5           | 2              | 7           | 2              | 6           | 2              |
| p. corporate support services                        | 3           | 3              | 2           | 4              | 2           | 4              | 2           | 4              |
| q. management & consulting services                  | 3           | 3              | 4           | 3              | 5           | 2              | 5           | 2              |
| r. inactive  | 12          | 16             | 6           | 6              | 5           | 6              | 6           | 5              |
| <b>2. Affiliates of for-profit hospitals</b>         | 10          | 0              | 13          | 0              | 11          | 0              | 13          | 0              |
| total affiliates                                     | <u>122</u>  | <u>101</u>     | <u>120</u>  | <u>99</u>      | <u>118</u>  | <u>99</u>      | <u>112</u>  | <u>102</u>     |

50% org greater  
ownership

VIRGINIA HEALTH SERVICES COST REVIEW COUNCIL  
COMMERCIAL DIVERSIFICATION SURVEY  
DECEMBER 1, 1991

ACTIVITIES AND FUNCTIONS OF THE AFFILIATES - FINANCIAL DATA

|  | <u>revenues</u> | <u>net profit/loss</u> | <u>assets</u> | <u>net equity</u> | <u>return<br/>on assets</u> | <u>net profit/<br/>loss as a %<br/>of revenue</u> |
|--|-----------------|------------------------|---------------|-------------------|-----------------------------|---|
| <b>a. holding company</b>                    |                 |                        |               |                   |                             |   |
| 1988 Survey                                  | 11,792,164      | 3,720,258              | 119,333,439   | 73,430,826        | 3.1%                        | 31.5%   |
| 1989 Survey                                  | 14,769,176      | 4,452,343              | 159,211,020   | 91,169,849        | 2.8%                        | 30.1%   |
| 1990 Survey                                  | 27,508,667      | 10,617,787             | 162,856,071   | 103,114,591       | 6.5%                        | 38.6%   |
| 1991 Survey                                  | 45,489,572      | 9,660,524              | 225,322,390   | 107,518,042       | 4.3%                        | 21.2%   |
| <b>b. fund raising</b>                       |                 |                        |               |                   |                             |   |
| 1988 Survey                                  | 4,831,459       | 5,753,672              | 95,893,189    | 93,433,827        | 6.0%                        | 119.1%  |
| 1989 Survey                                  | 3,196,742       | 4,952,274              | 79,467,328    | 66,366,058        | 6.2%                        | 154.9%  |
| 1990 Survey                                  | 7,208,966       | 6,613,667              | 86,142,716    | 82,485,294        | 7.7%                        | 91.7%   |
| 1991 Survey                                  | 11,584,214      | 9,960,256              | 133,739,514   | 127,321,263       | 7.4%                        | 86.0%   |
| <b>c. physician billing</b>                  |                 |                        |               |                   |                             |   |
| 1988 Survey                                  | 13,160,535      | 1,541,275              | 5,711,056     | 6,150,792         | 27.0%                       | 11.7%   |
| 1989 Survey                                  | 4,461,018       | 1,734,706              | 9,362,593     | 7,449,629         | 18.5%                       | 38.9%   |
| 1990 Survey                                  | 4,692,995       | 1,472,831              | 11,134,069    | 8,820,990         | 13.2%                       | 31.4%   |
| 1991 Survey                                  | 10,049,499      | 916,833                | 11,877,493    | 9,680,874         | 7.7%                        | 9.1%  |
| <b>d. collection agency</b>                  |                 |                        |               |                   |                             |   |
| 1988 Survey                                  | 4,352,687       | 633,469                | 4,448,208     | 2,164,864         | 14.2%                       | 14.6%   |
| 1989 Survey                                  | 5,100,378       | 355,811                | 6,157,785     | 2,615,838         | 5.8%                        | 7.0%  |
| 1990 Survey                                  | 5,847,237       | 572,833                | 4,815,007     | 3,288,948         | 11.9%                       | 9.8%  |
| 1991 Survey                                  | 6,557,101       | 465,585                | 5,277,408     | 3,707,788         | 8.8%                        | 7.1%  |
| <b>e. home health</b>                        |                 |                        |               |                   |                             |   |
| 1988 Survey                                  | 9,537,637       | 367,820                | 4,206,920     | 843,157           | 8.7%                        | 3.9%  |
| 1989 Survey                                  | 11,970,693      | (219,129)              | 5,781,205     | 123,274           | -3.8%                       | -1.8%   |
| 1990 Survey                                  | 11,556,023      | (28,868)               | 4,688,288     | 2,453,618         | -0.6%                       | -0.2%   |
| 1991 Survey                                  | 15,010,131      | 664,105                | 5,008,557     | 3,412,975         | 13.3%                       | 4.4%  |
| <b>f. outpatient radiology, CT Scan, MRI</b> |                 |                        |               |                   |                             |   |
| 1988 Survey                                  | 7,070,119       | 1,498,620              | 22,832,425    | 5,370,454         | 6.6%                        | 21.2%   |
| 1989 Survey                                  | 9,548,415       | 2,687,566              | 22,562,968    | 7,373,654         | 11.9%                       | 28.1%   |
| 1990 Survey                                  | 14,117,414      | 3,526,343              | 15,612,718    | 8,071,652         | 22.6%                       | 25.0%   |
| 1991 Survey                                  | 12,022,676      | 833,874                | 13,257,697    | 6,196,609         | 6.3%                        | 6.9%  |
| <b>g. urgent care centers</b>                |                 |                        |               |                   |                             |   |
| 1988 Survey                                  | 9,368,500       | (2,259,628)            | 10,011,693    | (1,684,395)       | -22.6%                      | -24.1%  |
| 1989 Survey                                  | 7,268,103       | (1,549,375)            | 5,393,967     | (2,528,623)       | -28.7%                      | -21.3%  |
| 1990 Survey                                  | 8,739,540       | (1,066,067)            | 8,512,461     | (4,129,246)       | -12.5%                      | -12.2%  |
| 1991 Survey                                  | 9,784,394       | (540,951)              | 5,503,334     | (4,275,593)       | -9.8%                       | -5.5%   |
| <b>h. other outpatient services</b>          |                 |                        |               |                   |                             |   |
| 1988 Survey                                  | 62,130,526      | 3,528,403              | 55,026,947    | 21,742,712        | 6.4%                        | 5.7%  |
| 1989 Survey                                  | 76,698,162      | (3,183,798)            | 53,590,922    | 22,599,984        | -5.9%                       | -4.2%   |
| 1990 Survey                                  | 97,247,640      | (4,478,033)            | 68,526,640    | 13,444,346        | -6.5%                       | -4.6%   |
| 1991 Survey                                  | 106,958,234     | (5,323,573)            | 74,544,034    | 14,538,471        | -7.1%                       | -5.0%   |
| <b>i. long term care</b>                     |                 |                        |               |                   |                             |   |
| 1988 Survey                                  | 27,171,225      | 2,068,696              | 68,118,164    | 34,669,080        | 3.0%                        | 7.6%  |
| 1989 Survey                                  | 41,031,892      | (3,121,711)            | 97,631,159    | 36,704,173        | -3.2%                       | -7.6%   |
| 1990 Survey                                  | 66,740,648      | (915,895)              | 123,060,361   | 55,722,755        | -0.7%                       | -1.4%   |
| 1991 Survey                                  | 99,370,895      | (1,041,440)            | 140,041,721   | 58,338,820        | -0.7%                       | -1.0%   |



**VIRGINIA HEALTH SERVICES COST REVIEW COUNCIL  
COMMERCIAL DIVERSIFICATION SURVEY  
DECEMBER 1, 1991**

**ACTIVITIES AND FUNCTIONS OF THE AFFILIATES - FINANCIAL DATA**

|  | <u>revenues</u> | <u>net profit/loss</u> | <u>assets</u> | <u>net equity</u> | <u>return<br/>on assets</u> | <u>net profit/<br/>loss as a %<br/>of revenue</u> |
|--|-----------------|------------------------|---------------|-------------------|-----------------------------|---|
| <b>j. pharmacy</b>                             |                 |                        |               |                   |                             |   |
| 1988 Survey                                    | 2,070,524       | 60,509                 | 1,104,194     | 145,778           | 5.5%                        | 2.9%  |
| 1989 Survey                                    | 3,596,972       | (23,541)               | 3,062,340     | 77,434            | -0.8%                       | -0.7%   |
| 1990 Survey                                    | 1,852,975       | (286,519)              | 1,402,389     | 590,276           | -20.4%                      | -15.5%  |
| 1991 Survey                                    | 1,027,730       | (145,665)              | 1,134,726     | (236,425)         | -12.8%                      | -14.2%  |
| <b>k. medical equipment &amp; supplies</b>     |                 |                        |               |                   |                             |   |
| 1988 Survey                                    | 26,633,026      | 637,256                | 14,036,362    | 2,746,722         | 4.5%                        | 2.4%  |
| 1989 Survey                                    | 43,981,789      | 1,420,338              | 26,805,690    | 5,496,643         | 5.3%                        | 3.2%  |
| 1990 Survey                                    | 59,411,369      | 2,007,124              | 30,365,912    | 8,905,629         | 6.6%                        | 3.4%  |
| 1991 Survey                                    | 79,452,895      | 2,882,994              | 37,094,348    | 13,899,567        | 7.8%                        | 3.6%  |
| <b>l. fitness &amp; wellness centers</b>       |                 |                        |               |                   |                             |   |
| 1988 Survey                                    | 5,896,434       | (49,979)               | 10,182,777    | 888,327           | -0.5%                       | -0.8%   |
| 1989 Survey                                    | 7,234,985       | 38,360                 | 11,921,746    | 2,070,505         | 0.3%                        | 0.5%  |
| 1990 Survey                                    | 6,426,455       | (5,155)                | 11,636,921    | 1,560,836         | -0.0%                       | -0.1%   |
| 1991 Survey                                    | 7,014,378       | (686,575)              | 11,615,068    | 1,808,023         | -5.9%                       | -9.8%   |
| <b>m. unrelated to health care</b>             |                 |                        |               |                   |                             |   |
| 1988 Survey                                    | 25,016,533      | 9,764,238              | 131,117,737   | 98,317,481        | 7.4%                        | 39.0%   |
| 1989 Survey                                    | 26,491,567      | (808,795)              | 132,440,485   | 106,104,606       | -0.6%                       | -3.1%   |
| 1990 Survey                                    | 31,773,071      | 4,156,661              | 140,574,503   | 105,433,556       | 3.0%                        | 13.1%   |
| 1991 Survey                                    | 27,865,581      | 6,344,583              | 176,851,704   | 125,756,320       | 3.6%                        | 22.8%   |
| <b>n. PPO's, HMO's &amp; insurance</b>         |                 |                        |               |                   |                             |   |
| 1988 Survey                                    | 24,552,279      | (4,069,571)            | 12,712,304    | 536,237           | -32.0%                      | -16.6%  |
| 1989 Survey                                    | 64,615,342      | (2,202,052)            | 34,933,508    | 6,221,501         | -6.3%                       | -3.4%   |
| 1990 Survey                                    | 59,114,206      | (2,081,593)            | 19,570,635    | 284,962           | -10.6%                      | -3.5%   |
| 1991 Survey                                    | 65,562,786      | 3,083,749              | 20,794,448    | 3,368,180         | 14.8%                       | 4.7%  |
| <b>o. real estate management &amp; rental</b>  |                 |                        |               |                   |                             |   |
| 1988 Survey                                    | 2,694,184       | (785,470)              | 24,137,282    | 4,973,865         | -3.3%                       | -29.2%  |
| 1989 Survey                                    | 4,544,208       | (979,414)              | 22,965,519    | 1,755,700         | -4.3%                       | -21.6%  |
| 1990 Survey                                    | 1,569,698       | (727,162)              | 19,871,671    | (801,801)         | -3.7%                       | -46.3%  |
| 1991 Survey                                    | 1,638,018       | (1,180,296)            | 18,302,231    | (1,285,758)       | -6.4%                       | -72.1%  |
| <b>p. corporate support services</b>           |                 |                        |               |                   |                             |   |
| 1988 Survey                                    | 8,305,771       | (332,137)              | 16,349,997    | 10,894,917        | -2.0%                       | -4.0%   |
| 1989 Survey                                    | 14,532,189      | 379,597                | 44,791,309    | 11,440,015        | 0.8%                        | 2.6%  |
| 1990 Survey                                    | 33,157,200      | 9,675,237              | 139,933,523   | (5,897,272)       | 6.9%                        | 29.2%   |
| 1991 Survey                                    | 25,415,727      | 5,177,002              | 44,337,872    | 32,978,207        | 11.7%                       | 20.4%   |
| <b>q. management &amp; consulting services</b> |                 |                        |               |                   |                             |   |
| 1988 Survey                                    | 8,920,932       | (70,760)               | 6,984,152     | 5,140,324         | -1.0%                       | -0.8%   |
| 1989 Survey                                    | 9,884,372       | (740,827)              | 8,130,737     | 4,429,228         | -9.1%                       | -7.5%   |
| 1990 Survey                                    | 8,804,743       | (759,929)              | 868,174       | (1,921,297)       | -87.5%                      | -8.6%   |
| 1991 Survey                                    | 17,628,601      | (183,764)              | 10,177,219    | (390,428)         | -1.8%                       | -1.0%   |
| <b>r. inactive</b>                             |                 |                        |               |                   |                             |   |
| 1988 Survey                                    | 0               | 0                      | 228,159       | (56,888)          | N/A                         | N/A   |
| 1989 Survey                                    | 42,673          | (5,670)                | 2,020,619     | 117,495           | -0.3%                       | -13.3%  |
| 1990 Survey                                    | 0               | 0                      | 912           | 0                 | N/A                         | N/A   |
| 1991 Survey                                    | 0               | 0                      | 7,139,410     | 25,000            | N/A                         | N/A   |

VIRGINIA HEALTH SERVICES COST REVIEW COUNCIL  
 COMMERCIAL DIVERSIFICATION SURVEY  
 DECEMBER 1, 1991

ACTIVITIES AND FUNCTIONS OF THE AFFILIATES - FINANCIAL DATA

|  | <u>revenues</u> | <u>net profit/loss</u> | <u>assets</u> | <u>net equity</u> | <u>return<br/>on assets</u> | <u>net profit/<br/>loss as a %<br/>of revenue</u> |
|--|-----------------|------------------------|---------------|-------------------|-----------------------------|---|
| <b>s. affiliates of for-profit hospitals</b> |                 |                        |               |                   |                             |   |
| 1988 Survey                                  | 7,718,118       | (133,978)              | 14,415,374    | (1,092,065)       | -0.9%                       | -1.7%   |
| 1989 Survey                                  | 31,767,193      | 1,545,802              | 17,232,135    | (837,316)         | 9.0%                        | 4.9%  |
| 1990 Survey                                  | 50,808,623      | 7,426,693              | 25,321,732    | 6,826,288         | 29.3%                       | 14.6%   |
| 1991 Survey                                  | 64,385,376      | 9,161,387              | 27,327,418    | 9,129,553         | 33.5%                       | 14.2%   |

**VIRGINIA HEALTH SERVICES COST REVIEW COUNCIL  
 COMMERCIAL DIVERSIFICATION SURVEY  
 DECEMBER 1, 1991**

**AFFILIATES BY ORGANIZATION BED SIZE**

This table depicts how affiliates are distributed by organization bed size. Only not-for-profit organizations with beds are included in this analysis.

| <u>1991 Survey</u> | <u>No. of Organizations</u> | <u>No. of Affiliates</u> |
|--------------------|-----------------------------|--------------------------|
| less than 50 beds  | 4                           | 2                        |
| 50 to 99 beds      | 15                          | 8                        |
| 100 to 199 beds    | 27                          | 59                       |
| 200 to 299 beds    | 5                           | 18                       |
| 300 to 399 beds    | 11                          | 48                       |
| more than 400 beds | 8                           | 66                       |
| Totals             | <u>70</u>                   | <u>201</u>               |

VIRGINIA HEALTH SERVICES COST REVIEW COUNCIL  
 COMMERCIAL DIVERSIFICATION SURVEY  
 DECEMBER 1, 1991

**AFFILIATES THAT PROVIDE DIRECT PATIENT SERVICES**

*One strategy in diversifying is to provide patient services outside of the traditional hospital setting in order to reach a larger segment of the patient population, provide identification, and be available to this larger segment should an admission be necessary. This chart examines whether the affiliates that provide direct patient services make a financial contribution to the overall organization, as well as serving the purpose of reaching a larger patient segment.*

**This Table includes only these activities associated with direct patient services:**

- Physician Billing
- Home Health
- Outpatient Radiology, CT Scan, & MRI
- Urgent Care Centers
- Other Outpatient Services
- Long Term Care
- PPO's, HMO's, & Insurance

| 1988 SURVEY FINANCIAL DATA |                 |                        |               |                   |                         | Net Profit/<br>Loss as a %<br>of revenue |
|----------------------------|-----------------|------------------------|---------------|-------------------|-------------------------|--|
| <u>No. of Affiliates</u>   | <u>Revenues</u> | <u>Net Profit/Loss</u> | <u>Assets</u> | <u>Net Equity</u> | <u>Return on Assets</u> |  |
| 88                         | 152,990,821     | 2,675,615              | 178,619,509   | 67,629,037        | 1.5%                    | 1.7%                                     |
| 1989 SURVEY FINANCIAL DATA |                 |                        |               |                   |                         | Net Profit/<br>Loss as a %<br>of revenue |
| <u>No. of Affiliates</u>   | <u>Revenues</u> | <u>Net Profit/Loss</u> | <u>Assets</u> | <u>Net Equity</u> | <u>Return on Assets</u> |  |
| 86                         | 215,593,625     | (3,853,793)            | 229,256,322   | 77,943,592        | -2.6%                   | -2.7%                                    |
| 1990 SURVEY FINANCIAL DATA |                 |                        |               |                   |                         | Net Profit/<br>Loss as a %<br>of revenue |
| <u>No. of Affiliates</u>   | <u>Revenues</u> | <u>Net Profit/Loss</u> | <u>Assets</u> | <u>Net Equity</u> | <u>Return on Assets</u> |  |
| 89                         | 262,208,466     | (3,672,782)            | 251,105,172   | 84,904,674        | -1.5%                   | -1.4%                                    |
| 1991 SURVEY FINANCIAL DATA |                 |                        |               |                   |                         | Net Profit/<br>Loss as a %<br>of revenue |
| <u>No. of Affiliates</u>   | <u>Revenues</u> | <u>Net Profit/Loss</u> | <u>Assets</u> | <u>Net Equity</u> | <u>Return on Assets</u> |  |
| 83                         | 318,758,615     | (1,407,403)            | 271,027,284   | 91,260,336        | -0.5%                   | -0.4%                                    |

**VIRGINIA HEALTH SERVICES COST REVIEW COUNCIL  
 COMMERCIAL DIVERSIFICATION SURVEY  
 DECEMBER 1, 1991  
 AFFILIATES NOT PROVIDING DIRECT PATIENT SERVICES**

*The following table consist of those categories of affiliates not associated with direct patient services.*

- Holding Companies
- Fund Raising
- Collection Agencies
- Pharmacies
- Medical Equipment & Supplies
- Fitness & Wellness Centers
- Unrelated to Health Care
- Real Estate Management & Rental
- Corporate Support Services
- Management & Consulting Services
- Inactive
- Affiliates of For-Profit Hospitals

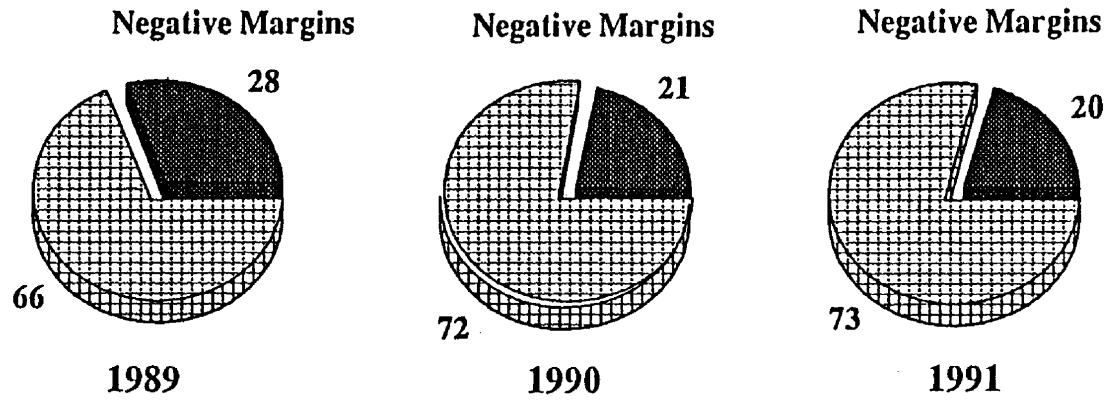
| 1988 SURVEY FINANCIAL DATA |                 |                        |               |                   |                  | Return | Net Profit/<br>Loss as a %<br>of revenue |
|----------------------------|-----------------|------------------------|---------------|-------------------|------------------|--------|--|
| <u>No. of Affiliates</u>   | <u>Revenues</u> | <u>Net Profit/Loss</u> | <u>Assets</u> | <u>Net Equity</u> | <u>on Assets</u> |        |  |
| 135                        | 108,231,832     | 19,200,078             | 438,230,870   | 290,985,978       | 4.4%             |        | 17.7%                                    |
| 1989 SURVEY FINANCIAL DATA |                 |                        |               |                   |                  | Return | Net Profit/<br>Loss as a %<br>of revenue |
| <u>No. of Affiliates</u>   | <u>Revenues</u> | <u>Net Profit/Loss</u> | <u>Assets</u> | <u>Net Equity</u> | <u>on Assets</u> |        |  |
| 135                        | 165,142,244     | 9,586,278              | 514,206,713   | 290,806,055       | 1.9%             |        | 5.8%                                     |
| 1990 SURVEY FINANCIAL DATA |                 |                        |               |                   |                  | Return | Net Profit/<br>Loss as a %<br>of revenue |
| <u>No. of Affiliates</u>   | <u>Revenues</u> | <u>Net Profit/Loss</u> | <u>Assets</u> | <u>Net Equity</u> | <u>on Assets</u> |        |  |
| 128                        | 234,369,004     | 39,291,217             | 623,789,528   | 303,584,048       | 6.3%             |        | 16.8%                                    |
| 1991 SURVEY FINANCIAL DATA |                 |                        |               |                   |                  | Return | Net Profit/<br>Loss as a %<br>of revenue |
| <u>No. of Affiliates</u>   | <u>Revenues</u> | <u>Net Profit/Loss</u> | <u>Assets</u> | <u>Net Equity</u> | <u>on Assets</u> |        |  |
| 131                        | 288,059,193     | 41,456,031             | 698,319,308   | 420,231,152       | 5.9%             |        | 14.4%                                    |

**VIRGINIA'S HOSPITALS**

**PROFITABLE**

**UNPROFITABLE**

# ACUTE CARE HOSPITALS UNPROFITABLE



**OPERATING MARGIN AS A PERCENTAGE OF NET PATIENT REVENUE  
FOR THE  
TOP TEN MOST PROFITABLE HOSPITALS  
(Ranked by Operating Margin as a % of Net Patient Revenue)  
FYE 7-1-90 to 6-30-91**

| Top 10 Most Profitable Hospitals<br>(Ranked by Operating Margin as a % of Net Patient Revenue for FYE 7-1-90 to 6-30-91) | Tax Status | FYE 7-1-88 to 6-30-89                |  | FYE 7-1-89 to 6-30-90                |                               | FYE 7-1-90 to 6-30-91                |                               |
|--|------------|--------------------------------------|--|--------------------------------------|-------------------------------|--------------------------------------|-------------------------------|
|  |            | Margin as a % of Net Patient Revenue | Operating Margin                           | Margin as a % of Net Patient Revenue | Operating Margin and % Change | Margin as a % of Net Patient Revenue | Operating Margin and % Change |
| Russell County Medical Center  | For-profit | 9.83%                                | 1,116,866                                  | 10.54%                               | 1,374,619                     | 21.34%                               | 3,320,380                     |
| % Change   |            |                                      |  |                                      | 23.08%                        |                                      | 141.55%                       |
| Humana - Clinch Valley   | For-profit | 13.73%                               | 4,254,497                                  | 18.77%                               | 7,204,821                     | 18.07%                               | 7,464,453                     |
| % Change   |            |                                      |  |                                      | 69.35%                        |                                      | 3.60%                         |
| Smyth County Community   | Non-profit | 17.33%                               | 2,466,330                                  | 14.34%                               | 2,270,528                     | 15.56%                               | 2,736,617                     |
| % Change   |            |                                      |  |                                      | -7.94%                        |                                      | 20.53%                        |
| Henrico Doctors  | For-profit | 16.65%                               | 16,353,108                                 | 14.75%                               | 15,526,824                    | 13.75%                               | 17,991,715                    |
| % Change   |            |                                      |  |                                      | -5.05%                        |                                      | 15.88%                        |
| Humana - Bayside   | For-profit | 14.17%                               | 4,297,144                                  | 11.35%                               | 3,646,188                     | 12.73%                               | 4,818,963                     |
| % Change   |            |                                      |  |                                      | -15.15%                       |                                      | 32.16%                        |
| King's Daughters'  | Non-profit | 9.20%                                | 1,659,285                                  | 6.61%                                | 1,319,813                     | 12.39%                               | 2,899,168                     |
| % Change   |            |                                      |  |                                      | -20.46%                       |                                      | 119.67%                       |
| Johnston Memorial  | Non-profit | 15.73%                               | 2,862,257                                  | 15.93%                               | 3,368,762                     | 12.34%                               | 3,009,464                     |
| % Change   |            |                                      |  |                                      | 17.70%                        |                                      | -10.67%                       |
| Fairfax  | Non-profit |                                      | Included with Fairfax Hospital Association |                                      |                               | 11.79%                               | 31,752,017                    |
| % Change   |            |                                      |  |                                      |                               |                                      | N/A                           |
| Buchanan General   | Non-profit | -7.12%                               | (1,135,112)                                | 1.75%                                | 327,253                       | 10.81%                               | 2,359,948                     |
| % Change   |            |                                      |  |                                      | 128.83%                       |                                      | 621.14%                       |
| Fotomac  | Non-profit | 3.77%                                | 1,180,370                                  | 4.51%                                | 1,637,942                     | 10.27%                               | 4,423,292                     |
| % Change   |            |                                      |  |                                      | 38.77%                        |                                      | 170.05%                       |



**OPERATING MARGIN AS A PERCENTAGE OF NET PATIENT REVENUE  
FOR THE  
HOSPITALS WITH OPERATING LOSSES**

**FYE 7-1-90 to 6-30-91**

| Hospitals with<br>Operating Losses | Tax<br>Status | FYE 7-1-88 to 6-30-89                         |  | FYE 7-1-89 to 6-30-90                         |  | FYE 7-1-90 to 6-30-91                         |  |
|------------------------------------|---------------|---|--|---|--|---|--|
|                                    |               | Margin<br>as a % of<br>Net Patient<br>Revenue | Operating<br>Margin                        | Margin<br>as a % of<br>Net Patient<br>Revenue | Operating<br>Margin<br>and<br>% Change | Margin<br>as a % of<br>Net Patient<br>Revenue | Operating<br>Margin<br>and<br>% Change |
| Bath County Community<br>% Change  | Non-profit    | -43.70%                                       | (892,381)                                  | -32.12%                                       | (696,027)<br>22.00%                    | -20.87%                                       | (514,443)<br>26.09%                    |
| Children's<br>% Change             | Non-profit    | -117.97%                                      | (4,992,693)                                | -87.59%                                       | (4,838,106)<br>3.10%                   | -55.45%                                       | (3,984,387)<br>17.65%                  |
| Dickenson County<br>% Change       | Non-profit    | -18.05%                                       | (669,960)                                  | -13.18%                                       | (631,730)<br>5.71%                     | -2.20%  | (125,401)<br>80.15%                    |
| Humana - St. Luke's<br>% Change    | For-profit    | -15.93%                                       | (2,846,856)                                | 3.01%   | 819,797<br>128.80%                     | -2.30%  | (616,614)<br>-175.22%                  |
| Jefferson Memorial<br>% Change     | Non-profit    |   | Included with Fairfax Hospital Association |   |  | -0.76%  | (181,954)<br>N/A                       |
| Lee County Community<br>% Change   | Non-profit    | -8.06%  | (687,820)                                  | -8.99%  | (803,222)<br>-16.78%                   | -9.54%  | (838,605)<br>-4.41%                    |
| Metropolitan<br>% Change           | For-profit    | 0.83%   | 158,250                                    | -4.87%  | (1,001,207)<br>-732.67%                | -2.80%  | (598,776)<br>40.19%                    |
| Montgomery Regional<br>% Change    | For-profit    | 11.36%  | 2,040,755                                  | -1.66%  | (318,570)<br>-115.61%                  | -3.88%  | (823,562)<br>-158.52%                  |
| Newport News General<br>% Change   | Non-profit    | -7.76%  | (771,499)                                  | -25.08%                                       | (2,173,593)<br>-181.74%                | -52.87%                                       | (3,149,718)<br>-44.91%                 |
| Norfolk Community<br>% Change      | Non-profit    | 0.68%   | 91,493                                     | -17.71%                                       | (1,790,288)<br>-2056.75%               | -39.00%                                       | (3,085,013)<br>-72.32%                 |

**OPERATING MARGIN AS A PERCENTAGE OF NET PATIENT REVENUE  
FOR THE  
HOSPITALS WITH OPERATING LOSSES**

**FYE 7 - 1 - 90 to 6 - 30 - 91**

| Hospitals with<br>Operating Losses    | Tax<br>Status | FYE 7 - 1 - 88 to 6 - 30 - 89                 |                     | FYE 7 - 1 - 89 to 6 - 30 - 90                 |  | FYE 7 - 1 - 90 to 6 - 30 - 91                 |  |
|---------------------------------------|---------------|---|---------------------|---|--|---|--|
|                                       |               | Margin<br>as a % of<br>Net Patient<br>Revenue | Operating<br>Margin | Margin<br>as a % of<br>Net Patient<br>Revenue | Operating<br>Margin<br>and<br>% Change | Margin<br>as a % of<br>Net Patient<br>Revenue | Operating<br>Margin<br>and<br>% Change |
| Northampton - Accomack<br>% Change    | Non-profit    | 6.73%   | 960,393             | 3.80%   | 597,049<br>-37.83%                     | -1.48%  | (241,703)<br>-140.48%                  |
| Northern Virginia Doctors<br>% Change | For-profit    | 6.95%   | 2,207,694           | -7.18%  | (2,209,486)<br>-200.08%                | -10.13%                                       | (3,207,845)<br>-45.19%                 |
| Obici Memorial<br>% Change            | Non-profit    | -11.30%                                       | (3,055,948)         | -8.69%  | (2,820,944)<br>7.69%                   | -0.96%  | (379,613)<br>86.54%                    |
| Pulaski Community<br>% Change         | For-profit    | -6.03%  | (805,814)           | -16.04%                                       | (2,330,003)<br>-189.15%                | -8.80%  | (1,401,496)<br>39.85%                  |
| Richmond Community<br>% Change        | Non-profit    | -27.05%                                       | (2,399,748)         | -5.38%  | (574,784)<br>76.05%                    | -1.61%  | (188,434)<br>67.22%                    |
| Riverside Tappahannock<br>% Change    | Non-profit    | -30.63%                                       | (1,556,764)         | -16.03%                                       | (692,680)<br>55.51%                    | -16.85%                                       | (1,254,138)<br>-81.06%                 |
| Southampton Memorial<br>% Change      | Non-profit    | -1.51%  | (218,020)           | 2.77%   | 442,381<br>302.91%                     | -1.51%  | (259,008)<br>-158.55%                  |
| Stuart Circle<br>% Change             | For-profit    | -4.35%  | (958,592)           | -0.78%  | (203,775)<br>78.74%                    | -7.02%  | (1,978,474)<br>-870.91%                |
| Warren Memorial<br>% Change           | Non-profit    | 12.08%  | 1,234,620           | -1.86%  | (181,611)<br>114.71%                   | -1.03%  | (116,323)<br>35.95%                    |
| Wise Appalachian<br>% Change          | Non-profit    | -5.62%  | (386,492)           | -7.43%  | (527,311)<br>-36.44%                   | -11.36%                                       | (780,272)<br>-47.97%                   |

**Although unprofitable hospitals have lost money on patient operations, many have increased their fund balance or net equity.**

**RETURN ON EQUITY  
FOR THE  
TOP TEN MOST PROFITABLE HOSPITALS  
(Ranked by Operating Margin as a % of Net Patient Revenue)  
FYE 7 - 1 - 90 to 6 - 30 - 91**

| Top 10 Most Profitable Hospitals<br>(Ranked by Operating Margin as a<br>% of Net Patient Revenue for<br>(FYE 7 - 1 - 90 to 6 - 30 - 91) | Tax<br>Status | FYE 7 - 1 - 88 to 6 - 30 - 89 |  | FYE 7 - 1 - 89 to 6 - 30 - 90 |  | FYE 7 - 1 - 90 to 6 - 30 - 91 |  |
|---|---------------|-------------------------------|--|-------------------------------|--|-------------------------------|--|
|   |               | Return<br>on<br>Equity        | Fund Balance/<br>Net Equity                | Return<br>on<br>Equity        | Fund Balance/<br>Net Equity<br>and<br>% Change | Return<br>on<br>Equity        | Fund Balance/<br>Net Equity<br>and<br>% Change |
| Russell County Medical Ctr<br>% Change  | For-profit    | 13.28%                        | 8,412,083                                  | 15.77%                        | 8,718,138<br>3.64%                             | 39.32%                        | 8,445,441<br>-3.13%                            |
| Humana - Clinch Valley<br>% Change  | For-profit    | 73.10%                        | 5,819,816                                  | 123.80%                       | 5,819,816<br>0.00%                             | 43.26%                        | 17,256,440<br>196.51%                          |
| Smyth County Community<br>% Change  | Non-profit    | 17.95%                        | 13,742,937                                 | 13.80%                        | 16,448,521<br>19.69%                           | 13.86%                        | 19,742,341<br>20.03%                           |
| Henrico Doctors<br>% Change   | For-profit    | 103.68%                       | 15,772,808                                 | 49.31%                        | 31,489,866<br>99.65%                           | 18.92%                        | 95,095,661<br>201.99%                          |
| Humana - Bayside<br>% Change  | For-profit    | 106.76%                       | 4,025,043                                  | 90.59%                        | 4,025,044<br>0.00%                             | 95.33%                        | 5,055,294<br>25.60%                            |
| King's Daughters'<br>% Change   | Non-profit    | 12.38%                        | 13,400,746                                 | 8.72%                         | 15,134,018<br>12.93%                           | 15.69%                        | 18,472,419<br>22.06%                           |
| Johnston Memorial<br>% Change   | Non-profit    | 14.45%                        | 19,803,843                                 | 14.38%                        | 23,418,975<br>18.25%                           | 11.30%                        | 26,635,233<br>13.73%                           |
| Fairfax<br>% Change   | Non-profit    |                               | Included with Fairfax Hospital Association |                               |  | 16.24%                        | 195,543,487<br>N/A                             |
| Buchanan General<br>% Change  | Non-profit    | -8.74%                        | 12,988,010                                 | 2.43%                         | 13,444,964<br>3.52%                            | 14.73%                        | 16,021,836<br>19.17%                           |
| Potomac<br>% Change   | Non-profit    | 4.21%                         | 28,027,976                                 | 5.50%                         | 29,756,336<br>6.17%                            | 13.03%                        | 33,955,641<br>14.11%                           |

**RETURN ON EQUITY  
FOR THE  
HOSPITALS WITH OPERATING LOSSES**

**FYE 7 - 1 - 90 to 6 - 30 - 91**

| Hospitals with<br>Operating Losses | Tax<br>Status | FYE 7 - 1 - 88 to 6 - 30 - 89 |  | FYE 7 - 1 - 89 to 6 - 30 - 90 |  | FYE 7 - 1 - 90 to 6 - 30 - 91 |  |
|------------------------------------|---------------|-------------------------------|--|-------------------------------|--|-------------------------------|--|
|                                    |               | Return<br>on<br>Equity        | Fund Balance/<br>Net Equity                | Return<br>on<br>Equity        | Fund Balance/<br>Net Equity<br>and<br>% Change | Return<br>on<br>Equity        | Fund Balance/<br>Net Equity<br>and<br>% Change |
| Bath County Community<br>% Change  | Non-profit    | -25.20%                       | 3,541,734                                  | -18.76%                       | 3,710,756<br>4.77%                             | -13.03%                       | 3,948,714<br>6.41%                             |
| Children's<br>% Change             | Non-profit    | -16.53%                       | 30,208,388                                 | -15.34%                       | 31,543,869<br>4.42%                            | -12.11%                       | 32,890,979<br>4.27%                            |
| Dickenson County<br>% Change       | Non-profit    | ----                          | (568,306)                                  | ----                          | (1,296,834)<br>-128.19%                        | ----                          | (1,156,489)<br>10.82%                          |
| Humana - St. Luke's<br>% Change    | For-profit    | -155.69%                      | 1,828,571                                  | 44.83%                        | 1,828,571<br>0.00%                             | -28.89%                       | 2,134,571<br>16.73%                            |
| Jefferson Memorial<br>% Change     | Non-profit    |                               | Included with Fairfax Hospital Association |                               |  | -4.77%                        | 3,814,203<br>N/A                               |
| Lee County Community<br>% Change   | Non-profit    | -52.20%                       | 1,317,618                                  | -138.70%                      | 579,122<br>-56.05%                             | ----                          | (136,143)<br>-123.51%                          |
| Metropolitan<br>% Change           | For-profit    | 9.21%                         | 1,717,519                                  | -144.99%                      | 690,523<br>-59.80%                             | -634.52%                      | 94,367<br>-86.33%                              |
| Montgomery Regional<br>% Change    | For-profit    | 74.44%                        | 2,741,596                                  | -6.40%                        | 4,980,158<br>81.65%                            | -569.38%                      | 144,642<br>-97.10%                             |
| Newport News General<br>% Change   | Non-profit    | ----                          | (5,347,354)                                | N/A                           | N/A  | ----                          | (10,354,677)<br>N/A                            |
| Norfolk Community<br>% Change      | Non-profit    | 2.93%                         | 3,118,702                                  | -132.07%                      | 1,355,541<br>-56.54%                           | ----                          | (131,712)<br>-109.72%                          |

**RETURN ON EQUITY  
FOR THE  
HOSPITALS WITH OPERATING LOSSES**

**FYE 7 - 1 - 90 to 6 - 30 - 91**

| Hospitals with<br>Operating Losses    | Tax<br>Status | FYE 7 - 1 - 88 to 6 - 30 - 89 |                             | FYE 7 - 1 - 89 to 6 - 30 - 90 |  | FYE 7 - 1 - 90 to 6 - 30 - 91 |  |
|---------------------------------------|---------------|-------------------------------|-----------------------------|-------------------------------|--|-------------------------------|--|
|                                       |               | Return<br>on<br>Equity        | Fund Balance/<br>Net Equity | Return<br>on<br>Equity        | Fund Balance/<br>Net Equity<br>and<br>% Change | Return<br>on<br>Equity        | Fund Balance/<br>Net Equity<br>and<br>% Change |
| Northampton - Accomack<br>% Change    | Non-profit    | 9.70%                         | 9,900,955                   | 5.45%                         | 10,955,374<br>10.65%                           | -2.09%                        | 11,539,751<br>5.33%                            |
| Northern Virginia Doctors<br>% Change | For-profit    | 25.20%                        | 8,762,176                   | -19.49%                       | 11,335,459<br>29.37%                           | ----                          | (3,787,901)<br>-133.42%                        |
| Obici Memorial<br>% Change            | Non-profit    | -13.07%                       | 23,380,753                  | -12.88%                       | 21,900,790<br>-6.33%                           | -1.76%                        | 21,585,067<br>-1.44%                           |
| Pulaski Community<br>% Change         | For-profit    | ----                          | (704,980)                   | ----                          | (2,868,458)<br>-306.89%                        | ----                          | (3,410,766)<br>-18.91%                         |
| Richmond Community<br>% Change        | Non-profit    | -112.91%                      | 2,125,396                   | -37.84%                       | 1,518,967<br>-28.53%                           | -11.81%                       | 1,595,352<br>5.03%                             |
| Riverside Tappahannock<br>% Change    | Non-profit    | -153.58%                      | 1,013,620                   | -31.46%                       | 2,201,728<br>117.21%                           | -129.16%                      | 971,029<br>-55.90%                             |
| Southampton Memorial<br>% Change      | Non-profit    | -1.68%                        | 12,984,963                  | 3.13%                         | 14,150,338<br>8.97%                            | -1.90%                        | 13,667,240<br>-3.41%                           |
| Stuart Circle<br>% Change             | For-profit    | -13.71%                       | 6,992,950                   | -3.83%                        | 5,317,989<br>-23.95%                           | -30.31%                       | 6,527,651<br>22.75%                            |
| Warren Memorial<br>% Change           | Non-profit    | 19.28%                        | 6,402,103                   | -2.74%                        | 6,629,786<br>3.56%                             | -1.73%                        | 6,737,812<br>1.63%                             |
| Wise Appalachian<br>% Change          | Non-profit    | N/A                           | N/A                         | N/A                           | N/A  | N/A                           | N/A  |

**UNRELATED BUSINESS INCOME and SERVICE FEES  
Paid by CICV Institutions**

1. Unrelated business income, 1990-91, as reported on the IRS Form 990T, 24 of 25 institutions reporting.

TOTAL GROSS INCOME REPORTED: \$1,218,721  
TOTAL NET INCOME REPORTED: (\$178,377)

Of the 24 institutions responding, 16 did not file Form 990T because they had no unrelated business income to report. Of the eight institutions which filed Form 990T, only one institution had a positive net income.

Sources for unrelated business income varied by institution. The most frequently cited sources were summer programs and catering.

2. **PROPERTY TAXES/SERVICE FEES**  
Telephone survey, 10/92. 22 of 25 colleges responding.

\*Most of our colleges pay property/real estate taxes on (a) residential rental properties rented to non-college personnel, and (b) gift real estate not part of the campus.

\*Four colleges pay property/real estate taxes on some properties rented to college personnel; and one college pays real estate tax on its farm land.

(According to the 1988 survey, of 13 colleges surveyed the taxes ranged from \$500 to more than \$17,000.)

\*In addition to the regular property tax, four institutions have had their localities impose a service fee on residential properties rented to (or lived in by) non-student college personnel.

\*One institution has voluntarily paid a "goodwill service fee" for several years of \$1000.

3. Other financial payments made to localities by private colleges:

Many colleges pay voluntary contributions to local fire, police, and rescue squad departments.

(According to a 1988 survey, these donations range from \$100 to more than \$10,000 per year.)

Also:

One college paid 60% of a sewer line in the locality which serves the college as well as nearby schools and residences.

One college paid 20% of a sewer line improvement project for the community. It also contributed \$10,000 for a new fire engine and provided technological assistance to the community for establishing a computer system for municipal offices.



**CICV Member Institutions**

AVERETT COLLEGE  
Danville

BLUEFIELD COLLEGE  
Bluefield

BRIDGEWATER COLLEGE  
Bridgewater

COLLEGE OF HEALTH SCIENCES  
Roanoke

EASTERN MENNONITE COLLEGE  
Harrisonburg

EMORY & HENRY COLLEGE  
Emory

FERRUM COLLEGE  
Ferrum

HAMPDEN-SYDNEY COLLEGE  
Hampden-Sydney

HAMPTON UNIVERSITY  
Hampton

HOLLINS COLLEGE  
Roanoke

LYNCHBURG COLLEGE  
Lynchburg

MARY BALDWIN COLLEGE  
Staunton

MARYMOUNT UNIVERSITY  
Arlington

RANDOLPH-MACON COLLEGE  
Ashland

RANDOLPH-MACON WOMAN'S COLLEGE  
Lynchburg

ROANOKE COLLEGE  
Salem

SAINT PAUL'S COLLEGE  
Lawrenceville

SHENANDOAH UNIVERSITY  
Winchester

SOUTHERN SEMINARY COLLEGE  
Buena Vista

SWEET BRIAR COLLEGE  
Sweet Briar

UNIVERSITY OF RICHMOND  
Richmond

VIRGINIA INTERMONT COLLEGE  
Bristol

VIRGINIA UNION UNIVERSITY  
Richmond

VIRGINIA WESLEYAN COLLEGE  
Norfolk

WASHINGTON & LEE UNIVERSITY  
Lexington

LD5325200

LEGJDS

1 D 10/27/92 Putney C 10/30/92 jds

2 SENATE BILL NO. .... HOUSE BILL NO. ....

3 A BILL to amend and reenact § 58.1-3703 of the Code of Virginia,  
4 relating to the imposition of local license tax on certain  
5 businesses, professions, occupations and callings.

6

7 Be it enacted by the General Assembly of Virginia:

8 1. That § 58.1-3703 of the Code of Virginia is amended and reenacted  
9 as follows:

10 § 58.1-3703. Counties, cities and towns may impose local license  
11 taxes; limitation of authority.--A. The governing body of any county,  
12 city or town may levy and provide for the assessment and collection of  
13 county, city or town license taxes on businesses, trades, professions,  
14 occupations and callings and upon the persons, firms and corporations  
15 engaged therein within the county, city or town subject to the  
16 limitations provided in subsection B of this section.

17 B. No county, city, or town shall levy any license tax:

18 1. On any public service corporation except as provided in §  
19 58.1-3731 or as permitted by other provisions of law;

20 2. For selling farm or domestic products or nursery products,  
21 ornamental or otherwise, or for the planting of nursery products, as  
22 an incident to the sale thereof, outside of the regular market houses  
23 and sheds of such county, city or town; provided, such products are  
24 grown or produced by the person offering such products for sale;

25 3. Upon the privilege or right of printing or publishing any  
26 newspaper, magazine, newsletter or other publication issued daily or

1 regularly at average intervals not exceeding three months, provided  
2 the publication's subscription sales are exempt from state sales tax,  
3 or for the privilege or right of operating or conducting any radio or  
4 television broadcasting station or service;

5 4. On a manufacturer for the privilege of manufacturing and  
6 selling goods, wares and merchandise at wholesale at the place of  
7 manufacture;

8 5. On a person engaged in the business of severing minerals from  
9 the earth for the privilege of selling the severed mineral at  
10 wholesale at the place of severance, except as provided in §§  
11 58.1-3712 and 58.1-3713;

12 6. Upon a wholesaler for the privilege of selling goods, wares  
13 and merchandise to other persons for resale unless such wholesaler has  
14 a definite place of business or store in such county, city or town.  
15 This subdivision shall not be construed as prohibiting any county,  
16 city or town from imposing a local license tax on a peddler at  
17 wholesale pursuant to § 58.1-3718;

18 7. Upon any person, firm or corporation for engaging in the  
19 business of renting, as the owner of such property, real property  
20 other than hotels, motels, motor lodges, auto courts, tourist courts,  
21 travel trailer parks, lodging houses, rooming houses and  
22 boardinghouses; however, any county, city or town imposing such a  
23 license tax on January 1, 1974, shall not be precluded from the levy  
24 of such tax by the provisions of this subdivision;

25 8. Upon a wholesaler or retailer for the privilege of selling  
26 bicentennial medals on a nonprofit basis for the benefit of the  
27 Virginia Independence Bicentennial Commission or any local  
28 bicentennial commission;

1           9. On or measured by receipts for management, accounting, or  
2 administrative services provided on a group basis under a nonprofit  
3 cost-sharing agreement by a corporation which is an agricultural  
4 cooperative association under the provisions of Chapter 3, Article 2  
5 (§ 13.1-312 et seq.), Title 13.1, or a member or subsidiary or  
6 affiliated association thereof, to other members of the same group.  
7 This exemption shall not exempt any such corporation from such license  
8 or other tax measured by receipts from outside the group;

9           10. On or measured by receipts or purchases by a corporation  
10 which is a member of an affiliated group of corporations from other  
11 members of the same affiliated group. This exclusion shall not exempt  
12 affiliated corporations from such license or other tax measured by  
13 receipts or purchases from outside the affiliated group. This  
14 exclusion also shall not preclude a locality from levying a wholesale  
15 merchant's license tax on an affiliated corporation on those sales by  
16 the affiliated corporation to a nonaffiliated person, company, or  
17 corporation, notwithstanding the fact that the wholesale merchant's  
18 license tax would be based upon purchases from an affiliated  
19 corporation. Such tax shall be based on the purchase price of the  
20 goods sold to the nonaffiliated person, company, or corporation. As  
21 used in this subdivision the term "sales by the affiliated corporation  
22 to a nonaffiliated person, company or corporation" shall mean sales by  
23 the affiliated corporation to a nonaffiliated person, company or  
24 corporation where goods sold by the affiliated corporation or its  
25 agent are manufactured or stored in the Commonwealth prior to their  
26 delivery to the nonaffiliated person, company or corporation.

27           For purposes of this exclusion, the term "affiliated group" means  
28 : \_\_\_\_\_

1 (a) One or more chains of includible corporations connected  
2 through stock ownership with a common parent corporation which is an  
3 includible corporation if:

4 (i) Stock possessing at least eighty percent of the voting power  
5 of all classes of stock and at least eighty percent of each class of  
6 the nonvoting stock of each of the includible corporations, except the  
7 common parent corporation, is owned directly by one or more of the  
8 other includible corporations; and

9 (ii) The common parent corporation directly owns stock possessing  
10 at least eighty percent of the voting power of all classes of stock  
11 and at least eighty percent of each class of the nonvoting stock of at  
12 least one of the other includible corporations. As used in this  
13 subdivision, the term "stock" does not include nonvoting stock which  
14 is limited and preferred as to dividends. The term "includible  
15 corporation" means any corporation within the affiliated group  
16 irrespective of the state or country of its incorporation; and the  
17 term "receipts" includes gross receipts and gross income.

18 (b) Two or more corporations if five or fewer persons who are  
19 individuals, estates or trusts own stock possessing:

20 (i) At least eighty percent of the total combined voting power of  
21 all classes of stock entitled to vote or at least eighty percent of  
22 the total value of shares of all classes of the stock of each  
23 corporation and

24 (ii) More than fifty percent of the total combined voting power  
25 of all classes of stock entitled to vote or more than fifty percent of  
26 the total value of shares of all classes of stock of each corporation,  
27 taking into account the stock ownership of each such person only to  
28 the extent such stock ownership is identical with respect to each such

1 corporation.

2       When one or more of the includible corporations, including the  
3 common parent corporation is a nonstock corporation, the term "stock"  
4 as used in this subdivision shall refer to the nonstock corporation  
5 membership or membership voting rights, as is appropriate to the  
6 context;

7       11. On any insurance company subject to taxation under Chapter 25  
8 (\$ 58.1-2500 et seq.) of this title or on any agent of such company;

9       12. On any bank or trust company subject to taxation in Chapter  
10 12 (\$ 58.1-1200 et seq.) of this title;

11       13. Upon a taxicab driver, if the locality has imposed a license  
12 tax upon the taxicab company for which the taxicab driver operates;

13       14. On any blind person operating a vending stand or other  
14 business enterprise under the jurisdiction of the Department for the  
15 Visually Handicapped, or a nominee of the Department, as set forth in  
16 § 63.1-164; or

17       15. On any hospital, college, university, or other institution  
18 of learning not organized or conducted for pecuniary profit which by  
19 reason of its purposes or activities is exempt from income tax under  
20 the laws of the United States unless such tax was enacted by the local  
21 governing body prior to January 15, 1991. The provisions of this  
22 subdivision shall expire on July 1, 1993-1997.

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