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HOUSE JOINT RESOLUTION NO. 685

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Establishing a joint subcommittee to study and revise Virginia's state tax code.

Patrons—McDonnell, Blevins, Byron, Nixon, Purkey, Rapp and Wardrup

Referred to Committee on Rules

WHEREAS, the Commonwealth of Virginia generates over 85 percent of its total general fund revenue from the individual and corporate income taxes and the sales and use tax; and

WHEREAS, the current individual income tax structure, which conforms to the federal income tax, was adopted in 1971 but has experienced modest changes over the past three decades; and

WHEREAS, the state sales and use tax was enacted in 1966 with only one rate change adopted since that time when the 1986 Special Session added an additional one-half cent sales tax for transportation purposes; and

WHEREAS, the U. S. and Virginia economies have experienced significant changes in the way people purchase goods and services and the way people are compensated for their labors while the economy has changed from being agrarian and manufacturing-oriented to being based on services and technology; and

WHEREAS, the changes in the state tax structure including tax deductions and credits have evolved in a piecemeal fashion in an effort to correct specific problems or advocate certain policies rather than in a systematic way to keep the tax structure functioning efficiently with the rapidly changing economic environment; and

WHEREAS, the state tax structure with its reliance on income and sales taxes has experienced strong revenue growth while the local tax structure, which is dependent on the property tax and other ad valorem taxes, has experienced slower revenue growth; and

WHEREAS, there are many different taxes and fees levied by state government, some of which may not be appropriate for today's economy; and

WHEREAS, the tax system is not citizen-friendly and it imposes a large burden on taxpayers to comply with the Commonwealth's tax laws while also imposing large costs on the Commonwealth to administer; and

WHEREAS, a number of important and beneficial background reports have been prepared for recent General Assembly sessions by both state-created commissions as well as other non-legislative groups, including the Virginia Municipal League and the Virginia Association of Counties; and

WHEREAS, there is an emerging consensus that the state tax code must be revised to reflect not only the changing nature of our economy but also to make it more equitable and to generate the revenues needed to provide services to its citizens; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That there is hereby established a joint subcommittee to consider needed revisions to Virginia's state tax code to ensure that it is fair, uniform, understandable and contemporary. The joint subcommittee shall consist of 13 members, who shall be appointed as follows: eight members of the House of Delegates, to be appointed by the Speaker of the House in accordance with the principles of proportional representation contained in the rules of the House; and five members of the Senate, to be appointed by the Senate Committee on Privileges and Elections. The appointing authorities are requested to consider appointing some members from the membership of the Commission on the Condition and Future of Virginia's Cities because of their familiarity with the issues. The joint subcommittee shall consider the following:

1. Examine the recommendations of the Commission on Virginia's State and Local Tax Structure for the 21st Century.

2. Seek broad input from all levels of government, the private sector, citizens and others.

3. Consider the propriety of current taxes, fees, deductions and credits as well as the rates of taxation.

4. Consider current revenue capacity of localities and the sufficiency of their revenue tools.

The direct costs of this study shall not exceed \$26,000.

The Division of Legislative Services shall provide staff support for the study. The Weldon Cooper Center at the University of Virginia shall also provide support. All agencies of the Commonwealth shall provide assistance to the joint subcommittee, upon request.

The joint subcommittee shall complete its work in time to submit its written findings and recommendations to the Governor and the 2003 Session of the General Assembly as provided in the

59 procedures of the Division of Legislative Automated Systems for the processing of legislative
60 documents.
61 Implementation of this resolution is subject to subsequent approval and certification by the Joint
62 Rules Committee. The committee may withhold expenditures or delay the period for the conduct of the
63 study.