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**HOUSE JOINT RESOLUTION NO. 685**  
**AMENDMENT IN THE NATURE OF A SUBSTITUTE**  
 (Proposed by the House Committee on Rules  
 on February 4, 2001)

(Patrons Prior to Substitute—Delegates McDonnell; Nixon [HJR 626]; and Reid [HJR 782])

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

WHEREAS, the Commonwealth of Virginia generates more than 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 during 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 business, professional, and occupational license (BPOL) tax is a local tax levied on certain businesses, professionals and occupations; and

WHEREAS, there are several categories of businesses that are exempt from the BPOL tax, of which manufacturers are one such category; and

WHEREAS, the definition of manufacturer has changed with the changes in technology, and it is not always clear to local commissioners of the revenue and manufacturers who falls within the definition and therefore qualifies for the exemption; and

WHEREAS, property taxes are the most important source of revenue for local governments, and localities need to be able to collect fairly assessed taxes promptly and efficiently so as not to interfere with their ability to provide necessary services to their inhabitants and to meet other needs of citizens; and

WHEREAS, assessment of property taxes, uniformly and at fair market value, is one of the most fundamental provisions of the Virginia Constitution, reflecting not only the government's power to tax, but its duty to do so fairly, treating taxpayers equally; and

WHEREAS, in most cases in Virginia, property tax assessments are made in a manner and amount that is fair to the individual taxpayer, to taxpayers as a group, and to the local governing body, and in most cases, the assessors are fair, reasonable, and open to discussing the problems taxpayers may have with assessments and making changes where warranted; and

WHEREAS, the property tax assessment process, including consideration of administrative and judicial challenges by taxpayers, is a complex process that varies administratively from jurisdiction to jurisdiction and is costly to taxpayers undertaking challenges; and

WHEREAS, assessors of real property in Virginia are not required by law to achieve any professional designation, nor is adherence to professional appraisal standards by assessors required; and

WHEREAS, the absence of such standards increases the efficiency of the assessment process for the assessor but makes challenges more difficult for taxpayers who disagree with the methodology and result of the assessment process; and

WHEREAS, it has been suggested that because the presumptions and burdens facing taxpayers who may wish to challenge their assessments are so difficult to overcome, a small but significant strain of unfairness has become embedded in Virginia's property tax assessment system; 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 and thus a comprehensive review of such tax policy is warranted; 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 could be more citizen-friendly, and a review of regulatory policies is needed to lessen the burden on taxpayers to comply with the Commonwealth's tax laws, while also imposing large costs on the Commonwealth to administer; 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 a joint subcommittee be established to study and revise Virginia's state tax code. The joint subcommittee shall consist of 16 members, who shall be appointed as follows: eight members of the House of Delegates, of whom two

60 shall have served as members of the Commission on the Condition and Future of Virginia's Cities, to be  
61 appointed by the Speaker of the House in accordance with the principles of proportional representation  
62 contained in the rules of the House; six members of the Senate, to be appointed by the Senate  
63 Committee on Privileges and Elections, of whom one shall have served as a member of the Commission  
64 on the Condition and Future of Virginia's Cities; and the Secretary of Finance and the State Tax  
65 Commissioner, who shall serve ex officio without voting privileges.

66 The joint subcommittee shall ensure that Virginia's tax code is fair, uniform, understandable, and  
67 contemporary. The joint subcommittee shall perform the following:

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

70 2. Seek broad input from all levels of government, the private sector, and citizens concerning the  
71 sufficiency of the Commonwealth's current tax system.

72 3. Consider the necessity and sufficiency of current taxes, fees, deductions and credits as well as the  
73 rates of taxation.

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

75 5. Clarify the definition of manufacturer for purposes of the business, professional, and occupational  
76 license tax.

77 6. Examine other states with similar business license taxes and determine how manufacturers are  
78 defined and treated.

79 7. Confer with the commissioners of the revenue and manufacturers throughout the Commonwealth  
80 concerning issues pertaining to business, professional, and occupational license tax as stated herein.

81 8. Examine the number of tax credits authorized each year.

82 9. Determine the loss in sales tax due to Internet purchases.

83 10. Examine the extent to which the tax appeal process is unfair or is perceived reasonably to be  
84 unfair.

85 11. Evaluate the potential financial effect upon localities and the burdens upon assessors of changes  
86 to the tax appeal system.

87 12. Identify the benefits of changing the tax appeal system, and recommend any changes to the tax  
88 appeal system, including standards and burdens of proof, that it believes will result in a more fair and  
89 balanced tax assessment system, including recommendations for minimizing any adverse financial effect  
90 upon localities.

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

92 The Division of Legislative Services shall provide staff support for the study. The Weldon Cooper  
93 Center at the University of Virginia and the Department of Taxation shall provide technical assistance to  
94 the joint subcommittee.

95 All agencies of the Commonwealth shall provide assistance to the joint subcommittee, upon request.

96 The joint subcommittee shall complete its work in time to submit its written findings and  
97 recommendations by November 30, 2002, to the Virginia Code Commission and to the Governor and  
98 the 2003 Session of the General Assembly as provided in the procedures of the Division of Legislative  
99 Automated Systems for the processing of legislative documents.

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