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HOUSE JOINT RESOLUTION NO. 685
AMENDMENT IN THE NATURE OF A SUBSTITUTE
 (Proposed by the Senate Committee on Rules
 on February 19, 2001)

(Patrons Prior to Substitute—Delegates McDonnell, Nixon [HJR 626] and Reid [HJR 782]; Senators Colgan [SJR 443] and Hanger [SJR 387])

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 1998 General Assembly enacted a Personal Property Tax Relief Act of 1998 (§ 58.1-3523 et seq.), which began to phase out the personal property tax on the first \$20,000 value of automobiles and other vehicles over a five-year period; 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 its 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, 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

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, the Commission on Virginia's State & Local Tax Structure for the 21st Century, comprised entirely of citizens, has completed its charge and issued a report with recommendations for consideration by the Governor and the 2001 General Assembly; 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 14 members, who shall be appointed as follows: eight members of the House of Delegates, of whom two shall have served as members of the Commission on the Condition and Future of Virginia's Cities, 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 six members of the Senate, to be appointed by the Senate Committee on Privileges and Elections, of whom one shall have served as a member of the Commission on the Condition and Future of Virginia's Cities.

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

1. Examine the report and recommendations of the Commission on Virginia's State and Local Tax

60 Structure for the 21st Century.

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

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

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

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

68 6. Examine the number and costs of tax credits and deductions authorized each year.

69 7. Determine the loss in sales tax due to electronic commerce.

70 8. Evaluate the real estate assessment appeals process, the need for any changes to the process, and
71 the effect that such changes would have on taxpayers and local governments.

72 9. Consider the long-term effect on the Commonwealth's revenues of the phase-out of personal
73 property tax.

74 10. Evaluate the appropriateness of the merchants capital tax and the business, professional and
75 occupational license tax.

76 11. Consider a plan to more equitably address exemptions, deductions, and rates for personal and
77 business income taxes.

78 12. Determine the equitable division of support to be assumed by the state and localities for
79 education and mandated services in light of the reforms recommended by the Commission.

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

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

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

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

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