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SENATE JOINT RESOLUTION NO. 387
AMENDMENT IN THE NATURE OF A SUBSTITUTE
 (Proposed by the Senate Committee on Rules
 on February 5, 2001)

(Patrons Prior to Substitute—Senator Hanger and Senator Colgan [SJR 443])

Establishing a joint subcommittee to study the implementation of the recommendations of the Commission on Virginia's State & Local Tax Structure for the 21st Century and the fiscal impact of the Personal Property Tax Relief Act.

WHEREAS, House Joint Resolution 578 (1999) established the citizen Commission on Virginia's State & Local Tax Structure for the 21st Century ("Commission") and directed it to examine all aspects of the state and local tax structure and the proper division of revenues and responsibilities for services between state and local governments; and

WHEREAS, the 2000 General Assembly directed the Commission to include in its review consideration of proposals to (i) eliminate the merchants' capital tax and the business, professional, and occupational license taxes (House Bill 354); (ii) grant fiscal autonomy to elected school boards (House Joint Resolution 105); (iii) change the methods by which merchants remit their state and local sales tax collections (House Joint Resolution 152); (iv) examine the equity of the sales and use tax in the advent of Internet commerce (House Joint Resolution 311); (v) consider changes in the application of the sales and use tax to certain purchases made by federal contractors (House Joint Resolution 158 and Senate Joint Resolution 150); and (vi) evaluate the propriety and fiscal ramifications of providing compensation to merchants for the collection and remittance of local food and meal taxes (House Bill 225); and

WHEREAS, the Commission has completed its charge and issued a report with recommendations to the Governor and the 2001 General Assembly; and

WHEREAS, the Commission's recommendations include policy considerations such as funding education, social services, and transportation and collecting sales, use, property, and income taxes; and

WHEREAS, the General Assembly's review and implementation of the recommendations of the Commission as appropriate may be critical in structuring state and local taxes for the 21st Century; and

WHEREAS, the 1998 General Assembly enacted the 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, section 58.1-3524 provides for an incremental increase of the amount of the Commonwealth's contribution toward the reimbursable amount until the amount of the Commonwealth's contribution reaches an amount equal to 100 percent of the reimbursable amount for taxable years beginning in calendar year 2002, provided that certain conditions are met; and

WHEREAS, this reimbursement program is entering its fourth year, and the impact on the general fund is approaching one billion dollars; and

WHEREAS, concerns have been raised over the effect of the loss of general fund dollars on other state programs; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That a joint subcommittee be established to study the implementation of the recommendations of the Commission on Virginia's State & Local Tax Structure for the 21st Century and the fiscal impact of the Personal Property Tax Relief Act. The joint subcommittee shall consist of 10 legislative members as follows: four members of the Senate, to be appointed by the Senate Committee on Privileges and Elections; and six 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 of Delegates.

In conducting its study, the joint subcommittee shall review the Commission's report and recommendations and, among other issues, focus on (i) a plan to return a portion of the state income tax to the localities or a grant of authority to implement local income tax; (ii) a plan to completely eliminate all tax on personal property; (iii) a plan to expand and protect the sales tax base in the Commonwealth; (iv) a plan to more equitably address exemptions, deductions, and rates for personal and business income tax; (v) a plan to eliminate merchants' capital tax and the business, professional, and occupational license taxes; and (vi) a plan for the equitable division of support assumed by the state and localities for education and mandated services in light of the reforms recommended by the Commission. The Commission shall examine (i) whether additional revenues will be needed to replace the revenues committed to the personal property tax reimbursement, and if so the source of such revenues; or (ii) whether the Commonwealth has the financial resources to continue to reimburse the localities for the loss of personal property tax revenues without the need for additional revenue sources.

The direct costs of this study shall not exceed \$25,000.

The Division of Legislative Services shall provide staff support for the study. Technical assistance

60 shall be provided by the Department of Taxation. All agencies of the Commonwealth shall provide
61 assistance as requested by the joint subcommittee.

62 The joint subcommittee shall complete its work in time to submit its written findings and
63 recommendations by October 20, 2002, to the Governor and the 2003 Session of the General Assembly
64 as provided in the procedures of the Division of Legislative Automated Systems for the processing of
65 legislative documents.

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