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HOUSE JOINT RESOLUTION NO. 209
AMENDMENT IN THE NATURE OF A SUBSTITUTE
 (Proposed by the Senate Committee on Rules
 on March 1, 2002)

(Patron Prior to Substitute—Delegate Bryant)

Establishing a joint subcommittee to study the local taxation of the entire telecommunications industry and its customers within the Commonwealth.

WHEREAS, during the past twenty years the telecommunications industry has completely transformed the way our economy functions as well as the way business and individuals work and operate; and

WHEREAS, the old monopoly of American Telephone and Telegraph Co. and the Bell System, which provided all telephone service and where consumers could not even purchase a telephone, has been transformed into a telecommunications industry where consumers literally have hundreds of choices for a spectrum of telecommunications services; and

WHEREAS, this transformation of the telecommunications industry has helped fuel the growth and use of the Internet as well as computers that are linked into large-scale, worldwide networks using the telecommunications network; and

WHEREAS, many observers view the development and deployment of information and communication technology as the foundation of America's record ten-year economic expansion during the 1990's; and

WHEREAS, the Commonwealth has been a major contributor and catalyst in this economic growth and is headquarters to numerous telecommunications and technology firms; and

WHEREAS, because changes in the telecommunications industry, such as the growing competition for telecommunications services, the growth and use of wireless service, and enhanced communication services such as Broadband and satellite TV, occurred so rapidly, tax treatment of these services developed in an ad hoc patchwork manner that on different types of telecommunications firms and their customers now vary widely, are difficult to collect efficiently and fairly, and impose a large burden on local government, business and Commonwealth taxpayers ; and

WHEREAS, nearly everyone agrees the Commonwealth's entire tax structure needs to be transformed into one that is appropriate for the 21st Century rather than one based on an agrarian economy; and

WHEREAS, a private study presented to the Governor's Commission on Government Finance Reform for the 21st Century shows that Virginia applies the highest local tax rates in the nation to the telecommunications industry and its customers; and

WHEREAS, due to the complexity of the rapidly changing telecommunications industry, it may be prudent to establish a separate joint subcommittee to study the state and local tax system for the telecommunications industry and its customers to ensure that the taxes imposed on this complex industry are fair and equitable to all elements of the telecommunications industry, and its customers, and are relatively easy to administer and collect; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That a joint subcommittee be established to study the state and local taxation of the entire telecommunications industry and its customers within the Commonwealth. The joint subcommittee shall be composed of 10 members as follows: 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; and four members of the Senate, to be appointed by the Senate Committee on Privileges and Elections.

The joint subcommittee shall examine state and local taxes imposed on the telecommunications industry and its customers to ensure that the taxes imposed on this complex industry are fair and equitable to all elements of the telecommunications industry, and its customers, and are relatively easy to administer and collect. In recommending any changes in state and local telecommunications, the joint subcommittee shall strive for a revenue-neutral outcome that (i) allows future state and local revenue growth, and (ii) preserves the ability of local governments that have opted not to impose certain telecommunications taxes at this time to impose such taxes in the future under any revised tax structure.

The direct costs of this study shall not exceed \$10,000.

The Division of Legislative Services shall provide staff support for the study. 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 findings and recommendations to the Joint Subcommittee to Study and Revise Virginia's State Tax Code, pursuant to House Joint Resolution 60 (2002), no later than August 1, 2002, and shall submit its written findings and recommendations to the Governor and the 2003 Session of the General Assembly as provided in the

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