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**SENATE JOINT RESOLUTION NO. 347**  
**AMENDMENT IN THE NATURE OF A SUBSTITUTE**

(Proposed by the House Committee on Rules  
on February 17, 2003)

(Patron Prior to Substitute—Senator Hanger)

*Continuing the Joint Subcommittee to Study and Revise Virginia's State Tax Code and the Streamlined Sales Tax Project agreement. Report.*

WHEREAS, House Joint Resolution No. 685 (2001) and Senate Joint Resolution 387 (2001) established the Joint Subcommittee to Study and Revise Virginia's State Tax Code; and

WHEREAS, House Joint Resolution No. 60 (2002) continued the study to further examine state and local taxes; and

WHEREAS, at the end of its first two years the joint subcommittee made 12 recommendations resulting in legislation and budget amendments for the 2003 Session that would (i) create an administrative procedure with standards for approving charitable organization sales tax exemptions; (ii) restore conformity with federal income tax law, with certain exceptions; (iii) revise the administrative appeals process for income taxpayers to provide for no payment of tax in advance of adjudication; (iv) eliminate June accelerated retail sales tax collections in the 2002-2004 budget; (v) revise the property tax appeals process to clarify procedures and the standard of proof for taxpayers; (vi) phase out the estate tax beginning in FY 2005; and (vii) require the purchaser to report the greater of the actual purchase price or the National Automobile Dealers' Association value (less \$1,500) for casual sales of motor vehicles that are no more than five years old; and

WHEREAS, to simplify and facilitate taxation of interstate sales, there has been an ongoing study of the sales and use tax at the national level, known as the Streamlined Sales Tax Project, for the past several years in which Virginia has participated during the past year; and

WHEREAS, an agreement was finalized among the states participating in the Project in November of 2002; and

WHEREAS, further examination, impact, and comparison of the agreement with Virginia's laws regarding sales and use tax is needed in order for the General Assembly to decide whether Virginia should adopt the terms of the agreement; and

WHEREAS, because of the (i) sheer complexity and interconnection of tax policy issues and the voluminous documents and proposals that have been made to the joint subcommittee, not all of which had been fully analyzed; (ii) lack of consensus among stakeholder task forces on key issues such as revenue sharing, equalization of taxing authority, and local business license tax reform, which caused the joint subcommittee to agree to extend the study for a third year on major restructuring issues; and (iii) pressing nature of the Commonwealth's fiscal situation, which has diverted legislative and executive attention from tax restructuring; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Joint Subcommittee to Study and Revise Virginia's State Tax Code and the Streamlined Sales Tax Project agreement be continued. The joint subcommittee shall consist of 13 members that include 11 legislative members and 2 ex officio members. Members shall be appointed as follows: 7 members of the House of Delegates to be appointed by the Speaker of the House of Delegates, in accordance with the principles of proportional representation contained in the Rules of the House of Delegates, of whom 1 member shall be the Chairman of the House Committee on Finance; and 4 members of the Senate to be appointed by the Senate Committee on Privileges and Elections, of whom 1 member shall be the Chairman of the Senate Committee on Finance; and the Secretary of Finance and the State Tax Commissioner or their designees, to serve as ex officio members without voting privileges. The joint subcommittee shall elect a chairman and vice chairman from among its membership, who shall be members of the General Assembly.

In conducting its study, the joint subcommittee shall (i) determine the best allocation of state and local government services and responsibilities, and the revenues required to fund such obligations; (ii) conduct a comprehensive review of the revenue impact of all tax preferences (subtractions, deductions, credits and exemptions) in the areas of income tax, sales tax, and business, professional and occupational license (BPOL) tax and ascertain whether these preferences are justified as sound fiscal policy; (iii) examine whether a replacement for the BPOL tax can be found that is equitable to state and local government, and the business community; (iv) make a comprehensive review of the Personal Property Tax Relief Act of 1998 and determine whether the tax can be fully repealed and a reasonable and equitable revenue replacement be created for such tax; (v) evaluate the tax rates for all major state taxes to determine their sufficiency and appropriateness in the modern economy; and (vi) consider the appropriateness of adopting the policies in the Streamlined Sales Tax Project agreement and identify and

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60 evaluate changes that may be needed in Virginia's sales and use tax laws to facilitate Virginia's  
61 compliance with the agreement should the General Assembly decide to adopt such policies.

62 Administrative staff support shall continue to be provided by the Office of the Clerk of the Senate.  
63 Legal, research, policy analysis, and other services as requested by the joint subcommittee shall continue  
64 to be provided by the Division of Legislative Services. Technical assistance shall be provided by the  
65 staffs of the Senate Committee on Finance and House Committee on Appropriations, and the Department  
66 of Taxation. All agencies of the Commonwealth shall provide assistance to the joint subcommittee for  
67 this study, upon request.

68 The joint subcommittee shall be limited to six meetings during the 2003 interim, and the direct costs  
69 of this study shall not exceed \$16,500 without approval as set out in this resolution.

70 At the option of a majority of the members of the House of Delegates appointed to the joint  
71 subcommittee or a majority of the Senate members appointed to the joint subcommittee, no  
72 recommendation of the joint subcommittee shall be adopted without the approval of a majority of such  
73 members of the House of Delegates and a majority of such members of the Senate. For the purpose of  
74 this provision, a "majority" constitutes the majority of members present and voting at the meeting of the  
75 joint subcommittee.

76 The joint subcommittee shall complete its meetings by November 30, 2003, and the chairman shall  
77 submit to the Division of Legislative Automated Systems an executive summary of its findings and  
78 recommendations no later than the first day of the 2004 Regular Session of the General Assembly. The  
79 executive summary shall state whether the joint subcommittee intends to submit to the Governor and the  
80 General Assembly a report of its findings and recommendations for publication as a legislative  
81 document. The executive summary and report shall be submitted as provided in the procedures of the  
82 Division of Legislative Automated Systems for the processing of legislative documents and reports and  
83 shall be posted on the General Assembly's website.

84 Implementation of this resolution is subject to subsequent approval and certification by the Joint  
85 Rules Committee. The Committee may approve or disapprove expenditures for this study, extend or  
86 delay the period for the conduct of the study, or authorize additional meetings during the 2003 interim.