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SENATE JOINT RESOLUTION NO. 326

Offered January 10, 2007

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Establishing a joint subcommittee to study the viability of a flat tax on the consumption of goods and services as an alternative tax system. Report.

Patrons—Bell, McDougale, Quayle and Stosch

Referred to Committee on Rules

WHEREAS, Virginia, like many other states, has a myriad of state and local taxes including individual and corporate income taxes, recordation taxes, real and personal property taxes, and local license or BPOL taxes; and

WHEREAS, the sheer number of taxes imposed in the Commonwealth can lead to confusion and negatively impact economic activity; and

WHEREAS, there are sound policy reasons for basing taxes on the consumption of goods and services; and

WHEREAS, in general, the Commonwealth does not impose taxes on the consumption of most services, thereby foregoing an increasing source of revenue; and

WHEREAS, a single consumption tax (a "flat tax") that would be imposed on the consumption of goods and services in lieu of all current state and local general fund taxes is an alternative tax system that should be considered; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That a joint subcommittee be established to study the viability of a flat tax on the consumption of goods and services as an alternative tax system. The joint subcommittee shall have a total membership of 10 members that shall consist of eight legislative members and two ex officio members. Members shall be appointed as follows: three members of the Senate to be appointed by the Senate Committee on Rules and five 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. The Secretary of Finance or her designee and the Commissioner of the Department of Taxation or her designee shall serve ex officio with 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) explore the revenue that could be generated from a flat tax on the consumption of goods and services, (ii) determine the amount of revenue that is currently generated from state and local general fund taxes, (iii) estimate the rate of a flat tax that would need to be imposed on the consumption of goods and services to generate approximately the same amount of revenue that is currently generated from state and local general fund taxes, (iv) study other issues relating to the adoption of a flat tax including the distribution of revenues, and (v) determine the viability of a flat tax on the consumption of goods and services as a replacement for current state and local general fund taxes.

Administrative staff support shall be provided by the Office of the Clerk of the Senate. Legal, research, policy analysis, and other services as requested by the joint subcommittee shall be provided by the Division of Legislative Services. Technical assistance shall be provided by the Department of Taxation. All agencies of the Commonwealth shall provide assistance to the joint subcommittee for this study, upon request.

The joint subcommittee shall be limited to four meetings for the 2007 interim and four meetings for the 2008 interim, and the direct costs of this study shall not exceed \$8,000 for each year without approval as set out in this resolution. Approval for unbudgeted nonmember-related expenses shall require the written authorization of the chairman of the joint subcommittee and the respective Clerk. If a companion joint resolution of the other chamber is agreed to, written authorization of both Clerks shall be required.

No recommendation of the joint subcommittee shall be adopted if a majority of the Senate members or a majority of the House members appointed to the joint subcommittee (i) vote against the recommendation and (ii) vote for the recommendation to fail notwithstanding the majority vote of the joint subcommittee.

The joint subcommittee shall complete its meetings for the first year by November 30, 2007, and for the second year by November 30, 2008, and the chairman shall submit to the Division of Legislative Automated Systems an executive summary of its findings and recommendations no later than the first day of the next Regular Session of the General Assembly for each year. Each executive summary shall

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59 state whether the joint subcommittee intends to submit to the General Assembly and the Governor a
60 report of its findings and recommendations for publication as a House or Senate document. The
61 executive summaries and reports shall be submitted as provided in the procedures of the Division of
62 Legislative Automated Systems for the processing of legislative documents and reports and shall be
63 posted on the General Assembly's website.

64 Implementation of this resolution is subject to subsequent approval and certification by the Joint
65 Rules Committee. The Committee may approve or disapprove expenditures for this study, extend or
66 delay the period for the conduct of the study, or authorize additional meetings during the 2007 or 2008
67 interim.