

## SENATE JOINT RESOLUTION NO. 21

*Directing the Joint Legislative Audit and Review Commission to study the effectiveness of tax preferences. Report.*

Agreed to by the Senate, February 16, 2010  
Agreed to by the House of Delegates, March 9, 2010

WHEREAS, there are numerous business and individual income tax credits, income tax deductions and subtractions, retail sales and use tax exemptions, and other tax preferences allowed under the Code of Virginia; and

WHEREAS, on October 1, 2009, the Department of Taxation reported that the fiscal impact of corporate income tax subtractions, deductions, and credits through September 1, 2009, for taxable year 2007 was \$224 million. This amount did not include the fiscal impact of tax preferences relating to individual income taxes or retail sales and use taxes; and

WHEREAS, because the majority of business and individual income tax and retail sales and use tax preferences do not require any pre-approval by a state agency or state entity before a taxpayer can claim or take the tax preference; and

WHEREAS, without a pre-approval process, it is exceedingly difficult to determine whether the tax preference is effective in bringing about the desired public policy for which the tax preference was established; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Joint Legislative Audit and Review Commission be directed to study the effectiveness of tax preferences.

In conducting its study, the Joint Legislative Audit and Review Commission shall examine individual income tax (but excluding the deduction for personal exemptions, the standard deduction, and the deduction for itemized deductions claimed on the federal income tax return), corporate income tax, and retail sales and use tax preferences. The Joint Legislative Audit and Review Commission shall (i) determine which individual income, corporate income, and retail sales and use tax preferences are being claimed or taken and to what extent, (ii) provide an estimate of the fiscal impact of all such tax preferences claimed or taken, (iii) examine the public policies for which the tax preferences were established and whether the desired public policies have been achieved, (iv) report on whether other states routinely provide a sunset date for their tax preferences, and (v) establish a proposed mechanism or processes for the ongoing evaluation of the effectiveness of such tax preferences in bringing about the desired public policies for which the tax preferences were established.

Technical assistance shall be provided to the Joint Legislative Audit and Review Commission by the Department of Taxation. All agencies of the Commonwealth shall provide assistance to the Joint Legislative Audit and Review Commission for this study, upon request.

The Joint Legislative Audit and Review Commission shall complete its meetings for the first year by November 30, 2010, and for the second year by November 30, 2011, and the Director of the Joint Legislative Audit and Review Commission 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 state whether the Joint Legislative Audit and Review Commission intends to submit to the General Assembly and the Governor a report of its findings and recommendations for publication as a House or Senate document. The executive summaries and reports shall be submitted as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents and reports and shall be posted on the General Assembly's website.