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## SENATE JOINT RESOLUTION NO. 87

Offered January 11, 2012

Prefiled January 11, 2012

*Directing the Joint Legislative Audit and Review Commission to study measures to eliminate the disparity in the share of state and local tax burden borne by the Commonwealth's manufacturing sector. Report.*

Patron—Wagner

Referred to Committee on Rules

WHEREAS, a healthy and growing manufacturing sector is essential to the economic condition of the Commonwealth; and

WHEREAS, state and local taxes are a substantial cost of doing business and a major factor in the attractiveness of the Commonwealth to new manufacturing enterprises; and

WHEREAS, in its 2006 report on the impact of regulations on Virginia's manufacturing sector, published as Senate Document 18 (2006), the Joint Legislative Audit and Review Commission found that the manufacturing sector's share of local business taxes (26.8 percent) is higher than the sector's share of other measures, including employment (10 percent) and share of gross state product (15.2 percent); and

WHEREAS, a report by Ernst & Young LLP, commissioned by the Virginia Manufacturers Association in 2004, comparing the tax burden imposed by state and local taxes on Virginia's manufacturers to the burden on other sectors of the Commonwealth's economy and to the manufacturing sectors of other states, concluded that Virginia's manufacturing sector has the highest overall state and local business tax rate (3.8 percent) compared to the burden on other sectors; and

WHEREAS, Ernst & Young LLP's final report on state and local taxes paid by manufacturers, dated August 25, 2005, found that the effective state and local tax rate, calculated as the ratio of total state and local business taxes paid by manufacturers to property income generated in the manufacturing sector, in Virginia (11.6 percent) was higher than the rate in five comparison states of Alabama, Georgia, Kentucky, North Carolina, and South Carolina; and

WHEREAS, in its report on Virginia's corporate income tax system pursuant to House Joint Resolution 681 of the 2009 Session of the General Assembly, which was published as House Document 3 (2010), the Joint Legislative Audit and Review Commission found that Virginia's manufacturing sector provides 26 percent of the Commonwealth's corporate income tax while constituting nine percent of the gross state product; and

WHEREAS, the Joint Legislative Audit and Review Commission's report on concluded that several targeted changes could be made to improve the state's corporate income tax and address stakeholder concerns; and

WHEREAS, while manufacturers recognize that paying taxes is a responsibility of a good corporate citizen, the burden of a state's tax system can be a disincentive to operations in a state where the manufacturing sector is required to bear a share of the tax burden that is disproportionately greater than the sector's share of the state's economic activity; 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 measures to eliminate the disparity in the share of state tax burden borne by the Commonwealth's manufacturing sector.

In conducting its study, the Joint Legislative Audit and Review Commission shall (i) determine why the manufacturing sector pays a disproportionately large share of the state's corporate income and other taxes and (ii) identify measures that may be implemented to eliminate this disparity.

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 by November 30, 2012, 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 2013 Regular Session of the General Assembly. The executive summary shall state whether the 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 summary and report 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.

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