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SENATE JOINT RESOLUTION NO. 85

Offered January 11, 2012

Prefiled January 11, 2012

Directing the Joint Legislative Audit and Review Commission to study a phase-out of the corporate income tax. Report.

Patron—McWaters

Referred to Committee on Rules

WHEREAS, the Commonwealth of Virginia currently imposes tax on corporations at a rate of six percent per year; and

WHEREAS, the Joint Legislative Audit and Review Commission completed an in-depth study of the corporate income tax in 2010, as directed by House Joint Resolution 681 (2009), the results of which are available in House Document 3 (2010); and

WHEREAS, this study found that the corporate income tax only applies to a small percentage of companies in the Commonwealth, has produced less than \$600 million in revenues in recent years, and disproportionately impacts the manufacturing sector of the economy; and

WHEREAS, corporations are a major driver in creating jobs and sales, and in promoting economic development in the Commonwealth generally; and

WHEREAS, the Joint Legislative Audit and Review Commission, with its comprehensive knowledge of the corporate tax structure, would be well-suited to advise the General Assembly as to how best to undertake a phase-out of the corporate income tax with minimal disruptions to revenues and other existing programs and how to avoid unintended consequences of such a phase-out; 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 a phase-out of the corporate income tax.

In conducting its study, the Joint Legislative Audit and Review Commission (JLARC) shall study and make recommendations as how to best phase out the corporate income tax over a period of eight years. In reaching its conclusions and developing its recommendations, JLARC shall consider the impact of the elimination of refundable tax credits on corporations in the Commonwealth, with particular focus on the effects of eliminating the corporate income tax on charitable giving through programs such as the Land Conservation Tax Credit and the Neighborhood Assistance Act. The Joint Legislative Audit and Review Commission shall also review and make recommendations as to whether alternative taxes to the corporate income tax, such as the gross receipts tax imposed on public service corporations, should also be phased out, and make recommendations as to other areas of the Code of Virginia that should be amended or studied to avoid unintended consequences from a phase-out of the corporate income tax.

Technical assistance shall be provided to the Joint Legislative Audit and Review Commission by the Virginia Department of Taxation. All agencies of the Commonwealth shall provide assistance to JLARC 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 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 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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