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HOUSE BILL NO. 431

Offered January 8, 2014

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A BILL to create a joint subcommittee on tax reform and to repeal Chapter 52 (§§ 30-336, 30-337, and 30-338) of Title 30 of the Code of Virginia, relating to evaluation of taxes; study. Report.

 Patron—LeMunyon

 Referred to Committee on Rules

Whereas, in recent years the Commonwealth of Virginia has undertaken a number of initiatives to reduce obstacles to job creation, business expansion, and entrepreneurship, but these reforms have not addressed taxation in Virginia in a meaningful way; and

Whereas, it has been more than a decade since a joint subcommittee examined the Commonwealth's state and local taxes as a whole (HJ 578 (1999) and HJ 685/SJ 387 (2001)); and

Whereas, many changes in the past decade in the state's economy, in the global economy, and in direct and indirect federal funds require an examination of their impact on the overall tax structure of the Commonwealth; and

Whereas, although the Joint Subcommittee to Evaluate Tax Preferences (Chapter 52 (§ 30-336 et seq.) of Title 30 of the Code of Virginia) examines and evaluates state tax exemptions, credits, deductions, and similar preferences, recommendations regarding tax preferences should be made not in a vacuum, but in relation to the overall tax structure of the Commonwealth, including the possibility of repealing tax preferences for some taxpayers in exchange for lower rates for all taxpayers; and

Whereas, it is unnecessary to have a permanent commission evaluate tax preferences make recommendations if a joint legislative subcommittee is formed to study the overall state and local tax structure, including the overarching role of and need for tax preferences; and

Whereas, although the Virginia Manufacturing Commission and the Virginia Small Business Commission jointly are studying (i) the feasibility of eliminating the local business license tax, machinery and tools tax, and merchants' capital tax and (ii) a method of replacing the revenue from such taxes, any decision regarding the local taxes involved should be made not in a vacuum, but in relation to the overall tax structure of localities; now, therefore,

Be it enacted by the General Assembly of Virginia:

1. § 1. *That a joint subcommittee on tax reform be created. The joint subcommittee shall evaluate all state and local taxes and subsume the tasks of the Joint Subcommittee to Evaluate Tax Preferences.*

The joint subcommittee shall have a total membership of 13, consisting of seven legislative members and six nonlegislative citizen members. The legislative members shall be appointed as follows: (i) four members of the House of Delegates to be appointed by the Speaker of the House of Delegates and (ii) three members of the Senate to be appointed by the Senate Committee on Rules. The nonlegislative citizen members shall have expertise in Virginia's state and local taxes, economics of taxation, or tax accounting and shall be appointed as follows: (a) two members to be appointed by the Speaker of the House of Delegates, (b) two members to be appointed by the Senate Committee on Rules, and (c) two members to be appointed by the Governor.

The joint subcommittee shall elect a chairman and vice-chairman from among its membership.

§ 2. *In conducting its business, the joint subcommittee shall recommend modifications to state and local taxes that will serve to make the Commonwealth's state and local taxes simpler, more transparent, more efficient, more stable, fairer, less burdensome on economic activity, less burdensome on citizens with the lowest incomes by reducing or eliminating taxes on them, and, to the extent feasible, broader based in exchange for lower rates; produce sufficient revenue for the foreseeable future; and make the Commonwealth more competitive relative to other states regarding job creation, business creation, and business expansion. In conducting its business, the joint subcommittee shall examine the work, recommendations, and reports from relevant private and public sources of information, including but not limited to: (i) the Commission on Virginia's State and Local Tax Structure for the 21st Century (HJ 578 (1999)); (ii) the Joint Subcommittee to Study and Revise Virginia's State Tax Code (HJ 685/SJ 387 (2001)); (iii) the study by the Joint Legislative and Audit Review Commission on the effectiveness of tax preferences (SJ 21 (2010)); and (iv) the Joint Subcommittee to Evaluate Tax Preferences (Chapter 52 (§ 30-336 et seq.) of Title 30 of the Code of Virginia).*

Administrative staff support shall be provided by the Office of the Clerk of the House. 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

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59 *Taxation. All agencies of the Commonwealth shall provide assistance to the joint subcommittee for this*
60 *review, upon request.*

61 *§ 3. The joint subcommittee shall be limited to six meetings for the 2014 interim and six meetings for*
62 *the 2015 interim, and the direct costs of this study shall not exceed \$30,540 for each year without*
63 *approval of the Joint Rules Committee. Approval for unbudgeted nonmember-related expenses shall*
64 *require the written authorization of the chairman of the joint subcommittee and the respective Clerk.*

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

69 *The joint subcommittee shall complete its meetings for the first year by November 30, 2014, and for*
70 *the second year by November 30, 2015, and the chairman shall submit to the Division of Legislative*
71 *Automated Systems an executive summary of its findings and recommendations no later than the first*
72 *day of the next Regular Session of the General Assembly for each year. Each executive summary shall*
73 *state whether the joint subcommittee intends to submit to the General Assembly and the Governor a*
74 *report of its findings and recommendations for publication as a House or Senate document. The*
75 *executive summaries and reports shall be submitted as provided in the procedures of the Division of*
76 *Legislative Automated Systems for the processing of legislative documents and reports and shall be*
77 *posted on the General Assembly's website.*

78 *The Joint Rules Committee may approve or disapprove expenditures for this study, extend or delay*
79 *the period for the conduct of the study, or authorize additional meetings.*

80 **2. That Chapter 52 (§§ 30-336, 30-337, and 30-338) of Title 30 of the Code of Virginia is repealed.**