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HOUSE JOINT RESOLUTION NO. 174

Offered January 17, 2014

Directing the Department of Taxation to study tax restructuring. Report.

Patron—Byron

Referred to Committee on Rules

WHEREAS, Virginia is a highly attractive state for business; and

WHEREAS, the competitiveness required for new business attraction is a driving force in Virginia's economic development planning; and

WHEREAS, existing businesses and new businesses within the Commonwealth are the largest sources of new jobs and capital; and

WHEREAS, the Virginia economy has shifted from an agricultural and manufacturing economy to one of technology and services over the last 50 years; and

WHEREAS, the reduction in federal government spending in the Commonwealth has a profoundly negative effect on our economy and poses an imminent threat to Virginia's economic performance unless Virginia immediately reduces its dependency on federal spending through industry sector strategies aimed at growing wealth-building industries; and

WHEREAS, federal regulatory costs and commodity costs are directly and negatively affecting the competitiveness of Virginia's global industries; and

WHEREAS, federal and state mandates and food costs are directly and negatively affecting Virginia citizens; and

WHEREAS, international and domestic competitors have aggressively restructured their tax codes to lower the tax barriers to job creation and capital investment in the last decade; and

WHEREAS, Virginia is a top-ranked location to do business in general, but still has entire regions with chronically high unemployment and has to be more competitive to grow advanced technology industries and foster entrepreneurism; and

WHEREAS, Virginia must be at the forefront of global competitiveness while producing necessary revenue for world-class core government services such as education, transportation, and public safety; and

WHEREAS, leveling the operating costs between Virginia operations and competing locations domestically and abroad is a desirable economic goal; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Department of Taxation be directed to study tax restructuring. In conducting its study, the Department shall develop a dynamic economic impact statement and implementation plan for tax restructuring that will lower the sales tax and expand it to services; eliminate the BPOL, machinery and tools, and merchants' capital taxes; reduce the personal income tax rates; and eliminate the state portion of the sales tax on food. In developing the dynamic economic impact statement and implementation plan, the Department shall incorporate the findings of the 2013 Joint Virginia Small Business Commission and Virginia Manufacturing Development Commission's work that evaluated the Thomas Jefferson Institute for Public Policy's Virginia State Tax Analysis Modeling Program (STAMP); develop mutually beneficial policies for small businesses, the manufacturing sector, local government, and the Commonwealth; utilize the Virginia telecommunications tax model as a method of distributing sales tax revenue and insuring a biennium adjustment to increase revenue to offset the loss of BPOL, machinery and tools, and merchants' capital taxes to local governments; and prepare scenarios detailing the costs and benefits of the tax policy change to individuals and small businesses.

The Department shall complete its meetings by November 30, 2014, and 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 2015 Regular Session of the General Assembly. The executive summary shall state whether the Department 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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