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HOUSE JOINT RESOLUTION NO. 563

Offered January 14, 2015

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Directing the Joint Legislative Audit and Review Commission to update its 2004 study of replacing individual income tax revenues with sales and use tax revenues. Report.

Patron—DeSteph

Referred to Committee on Rules

WHEREAS, House Joint Resolution No. 172 (2004) directed the Joint Legislative Audit and Review Commission (JLARC) to collect data and information from other states and countries that have replaced income tax revenues with sales and use tax revenues; and

WHEREAS, JLARC completed its study in October 2004 (House Document No. 36) and presented four different scenarios for replacing all or most of individual income tax revenues with additional retail sales and use tax revenues; and

WHEREAS, JLARC found that Virginia derives 55 percent of its tax revenues from the individual income tax; and

WHEREAS, since completion of the 2004 study, reliance on the individual income tax as a source of tax revenue has increased while Virginia's economy has continued to evolve into an economy that is heavily dependent upon sales of services; and

WHEREAS, most services performed in Virginia are exempt from the state and local retail sales and use tax; and

WHEREAS, updating the data collection and analysis performed by JLARC in 2004 would provide decision makers with current, relevant data; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Joint Legislative Audit and Review Commission be directed to update its 2004 study of replacing individual income tax revenues with sales and use tax revenues.

In conducting its study, the Joint Legislative Audit and Review Commission (JLARC) shall study the Commonwealth's reliance on the individual income tax as a source of revenue, the annual fiscal impact of exempting services from the state and local retail sales and use tax, and the annual fiscal impact of exempting industry sectors from the state and local retail sales and use tax, including nonprofit, agricultural, media, and commercial and industrial sectors. The Joint Legislative Audit and Review Commission shall make revenue-neutral recommendations such that additional revenues generated by the retail sales and use tax would be sufficient to replace the revenues generated by the individual income tax. The recommendations shall be based upon the elimination of exemptions from the state and local retail sales tax, including exemptions for sales of services and exemptions benefiting industry sectors.

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 JLARC for this study, upon request.

The Joint Legislative Audit and Review Commission shall complete its meetings for the first year by November 30, 2015, and for the second year by November 30, 2016, 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 next Regular Session of the General Assembly for each year. Each executive summary shall state whether JLARC 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.

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