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HOUSE JOINT RESOLUTION NO. 635

Offered January 14, 2015

Prefiled January 14, 2015

Requesting the Department of Taxation to study the performance of the communications sales and use tax. Report.

Patron—LaRock

Referred to Committee on Rules

WHEREAS, in 2006 the General Assembly enacted legislation to impose a communications sales and use tax on consumers beginning January 1, 2007, which restructured the local taxation of communications services; and

WHEREAS, the communications sales and use tax changed the local taxation of communications services by replacing several local taxes and fees that were imposed at widely varying rates with a uniform five percent state sales and use tax on such services and a monthly fee of \$0.75 on both landline and mobile telephone service; and

WHEREAS, in addition to achieving statewide uniformity, a major objective of this tax restructuring was to ensure that competing forms of communications services were taxed equally to avoid having public policy inadvertently create competitive advantages and disadvantages; and

WHEREAS, in order that the tax restructuring was initially revenue-neutral to localities, the revenues from the communications sales and use tax have always been distributed proportionally on the basis of the amount that each locality collected in fiscal year 2006 from the local communications services taxes and fees that were eliminated with the adoption of the state communications sales and use tax; and

WHEREAS, it was anticipated that the total taxes collected from the communications sales and use tax would grow over time, but after eight years that growth has not been significant; and

WHEREAS, communications technology, consumer habits, industry billing practices, and the populations of some Virginia localities have all changed rapidly during the eight years that the tax has been imposed; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Department of Taxation be requested to study the performance of the communications sales and use tax.

In conducting its study, the Department of Taxation shall assemble an advisory panel comprising representatives of local governments and affected segments of the communications industry. With the assistance of the advisory panel, the Department shall (i) evaluate the overall performance of the communications sales and use tax, (ii) determine whether competing communications services are being taxed on an equal basis, (iii) identify any communications services that are receiving a competitive advantage by not being taxed, and (iv) determine whether the tax is structured such that it will apply to new methods of communications.

All agencies of the Commonwealth shall provide assistance to the Department of Taxation for this study, upon request.

The Department of Taxation shall complete its meetings by November 30, 2015, and shall submit to the Governor and the General Assembly an executive summary and 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 no later than the first day of the 2016 Regular Session of the General Assembly and shall be posted on the General Assembly's website.

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