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**HOUSE BILL NO. 214**

Offered January 13, 2016

Prefiled December 28, 2015

*A BILL to establish 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 (House Joint Resolution 578 (1999) and House Joint Resolution 685/Senate Joint Resolution 387 (2001)); and

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

Whereas, although the Joint Subcommittee to Evaluate Tax Preferences was established in Chapter 52 (§ 30-336 et seq.) of Title 30 of the Code of Virginia to examine and evaluate specific state tax exemptions, credits, deductions, and similar preferences, recommendations regarding tax preferences would be better made 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 and 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 would be better made 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 established. 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 members, consisting of seven legislative members and six nonlegislative citizen members. Members shall be appointed as follows: four members of the House of Delegates to be appointed by the Speaker of the House of Delegates in accordance with the principles of proportional representation contained in the Rules of the House of Delegates; three members of the Senate to be appointed by the Senate Committee on Rules; two nonlegislative citizen members to be appointed by the Speaker of the House of Delegates; two nonlegislative citizen members to be appointed by the Senate Committee on Rules; and two nonlegislative citizen members to be appointed by the Governor. The nonlegislative citizen members shall be citizens of the Commonwealth of Virginia and shall have expertise in Virginia's state and local taxes, economics of taxation, or tax accounting. Unless otherwise approved in writing by the chairman of the joint subcommittee and the respective Clerk, nonlegislative citizen members shall only be reimbursed for travel originating and ending within the Commonwealth of Virginia for the purpose of attending meetings. If a companion joint resolution of the other chamber is agreed to, written authorization of both Clerks shall be required.*

*The joint subcommittee shall elect a chairman and vice-chairman from among its membership, who shall be members of the General Assembly.*

**§ 2.** *In conducting its business, the joint subcommittee shall recommend modifications to state and local taxes that will (i) 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; (ii) produce sufficient revenue for the foreseeable future; and (iii) make the Commonwealth more competitive in relation 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*

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59 information, including but not limited to the Commission on Virginia's State and Local Tax Structure for  
60 the 21st Century (HJ 578 (1999)), the Joint Subcommittee to Study and Revise Virginia's State Tax Code  
61 (HJ 685/SJ 387 (2001)), the study by the Joint Legislative Audit and Review Commission on the  
62 effectiveness of tax preferences (SJ 21 (2010)), and the Joint Subcommittee to Evaluate Tax Preferences  
63 (§ 30-336 et seq. of the Code of Virginia).

64 Administrative staff support shall be provided by the Office of the Clerk of the House of Delegates.  
65 Legal, research, policy analysis, and other services as requested by the joint subcommittee shall be  
66 provided by the Division of Legislative Services. Technical assistance shall be provided by the  
67 Department of Taxation. All agencies of the Commonwealth shall provide assistance to the joint  
68 subcommittee for this study, upon request.

69 § 3. The joint subcommittee shall be limited to six meetings for the 2016 interim, and the direct costs  
70 of this study shall not exceed \$30,540 without approval of the Joint Rules Committee. Approval for  
71 unbudgeted nonmember-related expenses shall require the written authorization of the chairman of the  
72 joint subcommittee and the respective Clerk.

73 No recommendation of the joint subcommittee shall be adopted if a majority of the House members  
74 or a majority of the Senate members appointed to the joint subcommittee (i) vote against the  
75 recommendation and (ii) vote for the recommendation to fail notwithstanding the majority vote of the  
76 joint subcommittee.

77 The joint subcommittee shall complete its meetings by November 30, 2016, and the chairman shall  
78 submit to the Division of Legislative Automated Systems an executive summary of its findings and  
79 recommendations no later than the first day of the 2017 Regular Session of the General Assembly. The  
80 executive summary shall state whether the joint subcommittee intends to submit to the General Assembly  
81 and the Governor a report of its findings and recommendations for publication as a House or Senate  
82 document. The executive summary and report shall be submitted as provided in the procedures of the  
83 Division of Legislative Automated Systems for the processing of legislative documents and reports and  
84 shall be posted on the General Assembly's website.

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

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