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HOUSE JOINT RESOLUTION NO. 638

Offered January 11, 2017

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Requesting the Department of Taxation to study unitary combined reporting of corporate income. Report.

Patron—Lopez

Referred to Committee on Rules

WHEREAS, large, multi-state corporations are able to shift income earned in Virginia to subsidiaries in other states where tax rates are lower or businesses are not taxed; and

WHEREAS, corporate income redistribution results in lost tax revenues for the Commonwealth and a tax advantage for out-of-state corporations that is not shared by local businesses; and

WHEREAS, in order to counter evasive tax practices, 24 states have passed laws requiring corporations to calculate income from all related entities and apportion such total income to the states where the entities earned the income; and

WHEREAS, the Commonwealth could increase its tax revenues by more than \$100 million per year by implementing combined reporting; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Department of Taxation be requested to study unitary combined reporting of corporate income.

In conducting its study, the Department of Taxation shall evaluate the administrative cost and revenue impact of unitary combined reporting in the Commonwealth. The Department of Taxation shall consider unitary combined reporting programs adopted by other states. The Department of Taxation shall develop an implementation model that includes a definition of the term "unitary group," a method for the tax treatment of international affiliates and unitary businesses without a nexus, an analysis of issues associated with the transition to unitary combined reporting, and any other significant implementation issues. The study shall include a recommendation regarding the implementation of unitary combined reporting in the Commonwealth.

Technical assistance shall be provided to the Department of Taxation by the Department of the Treasury. 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 October 31, 2017, 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 December 1, 2017, and shall be posted on the General Assembly's website.

INTRODUCED

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