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**HOUSE JOINT RESOLUTION NO. 578**

Offered January 20, 1999

*Establishing a commission to study Virginia's state and local tax structure for the 21st century.*

Patrons—Clement, Abbitt, Almand, Barlow, Baskerville, Behm, Brink, Cranwell, Croshaw, Darner, Day, Diamonstein, Hall, Hull, Ingram, Jackson, Johnson, Jones, D.C., Moran, Moss, Murphy, Plum, Puller, Rhodes, Thomas, Van Landingham, Van Yahres and Williams; Senators: Forbes, Hanger, Hawkins, Martin, Quayle, Reynolds and Ticer

Referred to Committee on Rules

WHEREAS, the past few decades have seen unprecedented changes in the way society operates in the new global economy, and

WHEREAS, these changes have occurred in technology, computers, medicine, telecommunications, and the retail environment and have changed the way every person works, lives, and operates; and

WHEREAS, we have witnessed the deregulation of the electric and telecommunications industries; the consolidation of the banking and finance sector; and growth of the world economy where world trade is representing an ever increasing portion of each country's gross national product and affects every aspect of the Commonwealth and its citizens; and

WHEREAS, individuals have adapted to these significant changes by using change as a catalyst to modify the way they do things, enhance productivity and improve their quality of life; and

WHEREAS, corporations, civic groups, churches, and other organizations have harnessed these changes to sharpen their focus and achieve their mission and goals; and

WHEREAS, one aspect of our society, the tax system, has changed little from when the economy was primarily agrarian and the measure of wealth was the amount of farm land one owned; and

WHEREAS, to this day the main source of local tax revenue is the property tax, which generates over 61 percent of total local revenues in Virginia and therefore gives little flexibility to local government officials in collecting tax revenue needed to fund local government services like education; and

WHEREAS, the state tax structure, and especially the sales and use tax, was constructed decades ago when the industrial economy produced tangible goods while currently a Virginia resident through electronic commerce can order a good electronically where it is made in a foreign country, shipped to the United States by a company in one state, ordered through a website maintained in another state and shipped to the consumer from a warehouse in a third state to his office in yet another state; and

WHEREAS, the traditional definition of nexus for sales taxation, that is, having a physical presence in a state, is rapidly becoming an antiquated concept as electronic commerce emerges in the new world economy; and

WHEREAS, society's trend to purchasing an increasing share of services which are nontaxable under the current sales tax means a resulting higher tax burden on goods than if the tax was extended to a broader base of taxation; and

WHEREAS, Virginia and other governments must adapt and harness this inevitable change and use it to improve the way we deliver and pay for the public goods that Virginia's citizens need and demand, now, therefore, be it,

RESOLVED by the House of Delegates, the Senate concurring, That there is hereby created a commission to study Virginia's state and local tax structure for the 21st century. The commission shall study how the state and local tax structure should be changed to adapt to the tremendous economic, social, demographic, and technological trends which are clearly overwhelming the current taxation structure. The commission shall be comprised of 13 members with significant expertise in state and local taxation, none of whom shall be currently serving in an elected capacity and shall be appointed as follows: 10 members by the Joint Committee on Rules; and three members by the Governor. The State Tax Commissioner shall serve as a nonvoting member.

The commission shall examine all aspects of the state and local tax structure to ensure its viability, fairness, and appropriateness for the 21st century. The commission shall also examine the relationship between state and local taxing authority and service responsibilities, in order to determine that the duty to provide services at the appropriate level of government is matched by the ability to generate sufficient revenues. The commission is specifically directed to develop revenue neutral recommendations which will not increase Virginia's state and local tax burden. The Weldon Cooper Center at the University of Virginia shall provide staff support for the study and is hereby allocated \$250,000 from the General Assembly's contingent fund to provide such staff support.

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**60** The commission shall complete its work by December 1, 2000, and submit its findings and  
**61** recommendations to the Governor and the 2001 Session of the Virginia General Assembly as provided  
**62** in the procedures of the Division of Legislative Automated Systems for the processing of legislative  
**63** documents.