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SENATE JOINT RESOLUTION NO. 101

Offered January 9, 2008

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Establishing a joint committee of the Senate Committee on Finance and the House Committee on Finance to study the benefits, economic impact, and fiscal impact of adopting a single sales factor to apportion the income of multistate corporations for purposes of the corporation income tax. Report.

Patron—Stosch

Referred to Committee on Rules

WHEREAS, the Virginia corporation income tax of a multistate corporation is currently apportioned based on a three-factor formula (the value of Virginia property over total property counting for one-quarter of the formula, the value of Virginia payroll over total payroll counting for another quarter of the formula, and sales in Virginia over total sales counting for one-half of the formula); and

WHEREAS, approximately 15 states have shifted to a single-factor apportionment formula based on sales in the state over total sales, either for all corporations or corporations in selected industries; and

WHEREAS, approximately five states are considering or have recently passed legislation to increase the weight of the sales factor used in their respective apportionment formulas, either for all corporations or corporations in selected industries; and

WHEREAS, the single sales factor has been considered an economic development tool in the states that have adopted it and may aid in Virginia's economic development efforts, particularly in economically depressed areas of the Commonwealth; and

WHEREAS, some economic development projects have already been lost to other states that have implemented a single sales factor; and

WHEREAS, there is some evidence of a national trend toward the implementation of a single sales factor and away from the traditional three-factor apportionment formula currently used by Virginia, which may, in future years, provide an increasing disincentive for business investment in the Commonwealth; and

WHEREAS, the Senate and House Committees on Finance are the appropriate entities to shape Virginia's tax policy; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That a joint committee comprised of two members of the Senate Committee on Finance appointed by the Chairman of that Committee and four members of the House Committee on Finance appointed by the Chairman of that Committee be established to study the benefits, economic impact, and fiscal impact of adopting a single sales factor to apportion the income of multistate corporations for purposes of the corporation income tax. The joint committee shall elect a chairman and vice chairman from among its membership.

In conducting its study, the joint committee may form a Single Sales Factor Advisory Work Group to assist in the study. Such Advisory Work Group may include representatives from the Virginia Society of Certified Public Accountants, the Virginia Chamber of Commerce, the Virginia Manufacturers Association, the Virginia Economic Development Partnership, the Tax Commissioner or her designee, the Secretary of Commerce and Trade or his designee, and tax executives representing major Virginia industries and corporations. The Advisory Work Group shall present its research to the Chairmen of the Senate and House Committees on Finance in the form of a draft memorandum.

Administrative staff support shall be provided by the Office of the Clerk of the Senate. Legal, research, policy analysis, and other services as requested by the joint committee shall be provided by the Division of Legislative Services. All agencies of the Commonwealth shall provide assistance to the joint committee for this study, upon request.

The joint committee shall be limited to four meetings for the 2008 interim, and the direct costs of this study shall not exceed \$ 6,000 without approval as set out in this resolution. Approval for unbudgeted nonmember-related expenses shall require the written authorization of the chairman of the joint committee and the respective Clerk. If a companion joint resolution of the other chamber is agreed to, written authorization of both Clerks shall be required.

No recommendation of the joint committee shall be adopted if a majority of the Senate members or a majority of the House members of the joint committee (i) vote against the recommendation and (ii) vote for the recommendation to fail notwithstanding the majority vote of the joint committee.

The joint committee shall complete its meetings by November 30, 2008, and the chairman shall submit an executive summary of its findings and recommendations no later than the first day of the 2009 Regular Session of the General Assembly to the Division of Legislative Automated Systems. The

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59 executive summary shall state whether the joint committee intends to submit to the General Assembly
60 and the Governor a report of its findings and recommendations for publication as a House or Senate
61 document. The executive summary and the report shall be submitted as provided in the procedures of
62 the Division of Legislative Automated Systems for the processing of legislative documents and reports
63 and shall be posted on the General Assembly's website.

64 Implementation of this resolution is subject to subsequent approval and certification by the Joint
65 Rules Committee. The Committee may approve or disapprove expenditures for this study, extend or
66 delay the period for the conduct of the study, or authorize additional meetings during the 2008 interim.