

## **Joint Subcommittee Studying Taxes, Fees and Assessments that Raise Little Revenue (HJR 656, 2005)**

The final meeting of the joint subcommittee studying taxes, fees and assessments that raise little revenue was held in Richmond on November 14 in the afternoon. All the members of the joint subcommittee except Senator Emmett Hanger were in attendance. Chairman Harry Parrish called the meeting to order and proceeded with the items on the agenda.

### **Presentations by the Department of Taxation and the Department of Agriculture and Consumer Services**

William White, of the Department of Taxation's Office of Policy (the "Department"), followed up on the Department of Taxation's presentation at the first meeting of the joint subcommittee on the small revenue sources that the Department administers. At the first meeting, members of the joint subcommittee asked that the Department provide information on **all** of the revenue sources that it administers, regardless of the amount of revenue collected. In general, the Department administers 30 taxes, some of which produce large amounts of revenues (e.g. individual income tax and retail sales tax) and others which produce small amounts of revenue (e.g. sheep assessment tax and cotton assessment tax). (See Department of Taxation handout under "Materials"). The Department administers ten taxes that produced less than \$2 million each in fiscal year 2004, and, when combined, produced less than \$4 million. The revenues from each of these taxes are paid into a special fund that is used for a specific purpose. Most of these ten taxes relate to agricultural commodities.

Members of the joint subcommittee wanted more information about these agricultural commodity taxes, and Donald G. Blankenship, Deputy Commissioner of the Department of Agriculture and Consumer Services was present to provide that information. Mr. Blankenship presented a profile of the 18 Virginia Agricultural Commodity Boards including how and when they were created, how their members are appointed, the rate of their tax assessments, responsibility for collection, and the amount collected last year. (see "Profile of Virginia Agricultural Commodity Boards" under "Materials"). Mr. Blankenship noted that these assessments are, in essence, collected from, and at the request of the pertinent agricultural industry, and in turn used for the benefit of that industry. In regards to the assessments administered by his agency, Mr. Blankenship said that the costs were nominal.

Members of the joint subcommittee asked William White, from the Department of Taxation regarding its costs in administering the agricultural commodity taxes. Mr. White reiterated that whenever any **new** tax is added, there is an initial start-up cost of approximately \$250,000. Sometimes the Department of Taxation is allowed to recover these costs by including such language in the legislation creating the new tax. Once the new tax is added to the system, however, the on-going costs are minimal.

### **Draft Legislation**

Next, staff presented a draft of legislation that had been requested by the joint subcommittee at its previous meeting (see draft of legislation under "Materials"). The draft legislation would require the Comptroller to permit state agencies to refrain from collecting any amounts owed to them if the cost of collection likely would exceed the amount owed. Delegate Lingamfelter suggested that the phrase "cost of collection" should exclude the cost of bringing suit to collect a debt owed. Senator Whipple suggested that the term "administrative" be inserted to clarify the matter. The joint subcommittee agreed, and also agreed to formally recommend the legislation to the General Assembly.

The Chairman requested that staff prepare the legislation. The meeting was then adjourned.