

Commission on the Revision of Virginia's State Tax Code and the Streamlined Sales Tax Project Agreement

July 15, 2003

REVIEW OF TAX STUDIES' WORK

Prior studies that led to the creation of this joint subcommittee include:

1. the Commission on Virginia's State and Local Tax Structure for the 21st Century (Morris Commission); and
2. the Joint Subcommittee to Study and Revise Virginia's State Tax Code (McDonnell/Hanger Commission).

The McDonnell/Hanger Commission made a number of recommendations in November, 2002, some of which required legislation and budget amendments and some of which were enacted and some of which were not.

Recommended Action Items for Tax Restructuring (HJR 60, 2002; HJR 685/SJR 387, 2001)

1. Adopt House Finance (Orrock) Subcommittee Report with standards for charitable organization sales tax exemptions. **(HB 2525)**
2. Restore conformity with federal income tax law, with the exception of accelerated depreciation and carry back loss issues to essentially eliminate fiscal impact. (Budget amendment and legislation---**HB 2455/SB1049**)
3. Revise administrative appeals process for income taxpayers to provide for no payment of tax in advance of adjudication. **(HB 2538)**
4. Eliminate June accelerated sales tax collections in 2002-2004 budget -- pushes \$118 million back to FY 03. (Budget amendment)****
5. Revise property tax appeals process to clarify procedures and standard of proof for taxpayer. **(HB 2503)**
6. Phase out estate tax beginning in FY 2005. **(HB 2490/SB 1123)******
7. Impose no new unfunded state mandates on localities, and to maximum extent possible, eliminate existing ones.

8. Support a moratorium on new sales and use tax exemptions.
9. Maintain policy of no sales tax on access to Internet and digital downloads.
10. Continue working with the national Streamlined Sales Tax Project. (**SJR 347**)
11. Require purchaser to report the greater of (i) the actual purchase price, or (ii) the NADA value (less \$1,500) for casual sales of motor vehicles that are no more than five years old. (**HB 2537**)
12. Continue the study in 2003 with final report in December, 2003.
(**SJR348**)****

****Amendment not adopted or legislation not enacted

Other Issues Considered

1. Elimination of the business, professional and occupational license tax.
2. Elimination of the personal property tax on personally-owned autos.
3. Completion of the plan to eliminate the sales tax on food.
4. Broadening the sales tax base to include certain services.
5. Revision of the individual income tax to make it more equitable.
6. Increasing the rates of certain state taxes (cigarette and motor fuels).
7. Determining what core services should be provided by the state and local governments and how to fund those services.
8. Whether to (i) allow counties to have the same taxing authority as cities or
(ii) create a revenue sharing plan of state income tax with localities.