

### TASK FORCE #1 ISSUE FORM

<u>Issues for Consideration</u>	<u>Fiscal Impact</u>	<u>References to Source Documents</u>	<u>Tax Principles</u>	<u>Interested Parties</u>	<u>Comments/Other</u>	<u>Task Force Recommendations</u>
<b>STATE TAXES</b>						
<b>Income Tax</b>						
1. Conformity with federal law - conformity or deconformity, fixed date <b>[Jt. Sub.]<sup>1</sup></b>	If language had not been included in the current budget to create a fixed date conformity the fiscal impact would have been as follows: FY 03 (\$191.42 mil) FY 04 (\$89.24 mil) FY 05 (17.38 mil) FY 06 51.13 mil	Estimated Fiscal Impact on VA of The Victims of Terrorism Relief Act of 2001 & The Job Creation and Worker Assistance Act of 2002- TAX 6/24/02 TAB 7-A	Efficiency	VA Retail Merchant's	Currently, language in budget conforms to Federal law as of 12/31/01	
2. Eliminate the age deduction <b>[Morris]</b>	FY 03 (\$288.3 mil) FY 04 (304.2 mil) FY 05 (320.9 mil) FY 06 (338.5 mil) Source: TAX	1. Options for making Age Deduction Dependent on Income-- TAX 5/29/02 TAB 7-A <sup>2</sup> 2. Morris (pp. 31-32)	Equity	NARFE AARP		
3. Increase the standard deduction for married persons from \$5,000 to \$7,000 and for single persons from \$3,000 to \$3,500 <b>[Morris]</b>	FY 04 (\$33.1 mil) FY 05 (66.3 mil) FY 06 (65.6 mil) Source: TAX	1. Synergies in Multiple Changes to VA Ind. Inc. Tax TAX 5/29/02 TAB 7-A 2. Morris (pp. 30-31)	Adequacy			

<sup>1</sup> Designates the source of the recommendation (Jt. Sub.= HJR 60 Joint Subcommittee; Morris = Report of the Commission on Virginia's State and Local Tax Structure for the 21st Century ("Morris Commission" House Doc. 22 (2001); and Bliley = Report of the Governor's Commission on Government Finance Reform for the 21st Century ("Bliley Commission Report") (Dec. 17, 2001).

<sup>2</sup> "TAB" refers to Jt. Subcommittee notebook; Morris refers to Morris Commission Report; and Bliley refers to Bliley Commission Report.

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4. Provide a "personal exemption" tax credit in the amount of \$125 per person and eliminate the current deduction for personal exemptions, including the additional personal exemption for the elderly (this \$125 tax credit effectively increases the current personal exemption from \$800 to \$2,500), or consider increasing the personal exemption <b>[Jt. Sub, Morris]</b>	FY 04 (\$237.2 mil) FY 05 (475.2 mil) FY 06 (469.6 mil) Source: TAX	1. Synergies... TAX TAB 7-A 2. Morris (pp. 30-31)	Adequacy			
5. Adopt two individual income tax brackets: with a rate of 5% applied to the first \$50,000 of taxable income and a rate of 5.75% applied to amounts above \$50,000 (phase out 1923 rates of 2%, 3%) <b>[Morris]</b>	FY 04 (\$35.2 mil) FY 05 (59.1 mil) FY 06 (34.5 mil) Source: TAX	1. Synergies... TAX Tab 5-A 2. Morris Comm (p. 30)	Efficiency Adequacy			
6. Make social security subject to the individual income tax <b>[Morris]</b>	FY 04 (\$50.9 mil) FY 05 (104.7 mil) FY 06 (109.4 mil) Source: TAX	1. Eliminating VA Soc. Sec. Subtraction-TAX 5/29/02 Tab 7-A 2. Morris (p. 32)	Equity	NARFE AARP		
7. Increase the tax credit for low-income taxpayers and make it refundable <b>[Morris]</b>		Morris (p. 32)	Equity Adequacy	VA Interfaith Center for Public Policy		
8. Eliminate income taxes and replace with higher sales tax (replacement state and local sales tax could exceed 14.5%) <b>[Jt. Sub.]</b>	Unknown		Adequacy	VA Retail Merchant's		

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9. Examine tax preferences (subtractions, deductions, tax credits) <b>[Jt. Sub.]</b>	FY 04 (\$641.3 mil) Source: TAX	Tab 7-F and 7-G	Equity Adequacy			
10. Overwithholding of income by the Commonwealth <b>[Jt. Sub.]</b>			Adequacy Equity			
11. User Fees--Consider expanding use <b>[Jt. Sub.]</b>		Tab 3 - April 29th mtg. summary	Equity			
<b>PERSONAL PROPERTY TAX/LOCAL TAXES</b>						
1. Car tax phase out-- How to integrate with other tax laws? Complete phase-out or revise administrative procedures. <b>[Jt. Sub.]</b>		Tab 8-B (p. 8)	Adequacy	VML/VACO		
2. Telecommunications tax -- Consider Del. Bryant's Subcommittee recommendations (HJ 209) <b>[Jt. Sub.]</b>	Unknown	Report to be issued August 2002	Adequacy Efficiency	VML/VACO Tele-communications Companies		
<b>OTHER</b>						
1. Appropriate mix of general fund taxes (Individual income tax equals 64% of general fund revenues and sales tax equals 21% of general fund revenues) <b>[Jt. Sub.]</b>	N/A	Tab 7-A (pp. 1-3)	All			

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2. Distribute at least 6% of the state's annual individual income tax collections to local governments <b>[Morris]</b>		Tab 8-E (p. 27) Morris (p. 26)	Adequacy	VML/VACO Localities		
3. Constitutional amendment requiring a sharing of state income tax revenues with localities and eliminating the personal property tax on all non-business vehicles <b>[Gilmore]</b>		Gilmore (pp. 27-28)	Adequacy	VML/VACO Localities		
4. Maintain a low tax burden on businesses <b>[Gilmore]</b>	Unknown	Gilmore (p. 25)	Equity Adequacy Efficiency	VMA VA Chamber VA Retail Merchant's		
5. Tax incentives for economic growth <b>[Gilmore]</b>	Unknown	Gilmore (p. 25)	Equity Adequacy Efficiency	VA Chamber		
6. Equalization of the taxing authority of counties and cities <b>[Jt. Sub., Morris, Gilmore]</b>	Unknown	Morris p. Gilmore (p. 30)	Equity	VML/VACO		
7. No new unfunded mandates on local governments by the Commonwealth <b>[Gilmore]</b>	None	Gilmore (p. 31)	Equity	VML/VACO		
8. Creation of a tribunal, not located within or reporting to the Department to Taxation, to hear taxpayer appeals <b>[Gilmore]</b>	Unknown	Gilmore (p. 35)	Equity Efficiency			

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9. Creation of a permanent body to analyze, on a continuing basis, the fiscal needs and resources of Virginia's state and local governments <b>[Morris]</b>	Unknown	Morris (p. 34)	All			
10. Tax simplification - more user friendly <b>[Jt. Sub.]</b>	Unknown		Efficiency			
11. 2002 Referred Legislation <b>[HFC, SFC]</b>		Tab 9	All	Bill Patrons		