

TASK FORCE #1 ISSUE FORM

06/24/2002

<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>
STATE TAXES						
Income Tax						
1. Conformity with federal law - conformity or deconformity, fixed date [Jt. Sub.]¹	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 Source: TAX	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 [Morris]	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 ² 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 [Morris]	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			

¹ 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)).

² "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 [Jt. Sub, Morris]	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) 3. Increasing the Personal & Dependant Exemptions TAX Tab 7-A	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%) [Morris]	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 [Morris]	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 [Morris]	FY 04 (\$105.5 mil) FY 05 (109.6 mil) FY 06 (113.8 mil) Source: TAX	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%) [Jt. Sub.]	Unknown		Adequacy	VA Retail Merchant's		

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9. Examine tax preferences (subtractions, deductions, tax credits) [Jt. Sub.]	FY 04 (\$641.3 mil) Source: TAX	Tab 7-F and 7-G	Equity Adequacy			
PERSONAL PROPERTY TAX/LOCAL TAXES						
1. Car tax phase out-- How to integrate with other tax laws? Complete phase-out or revise administrative procedures. [Jt. Sub.]		Tab 8-B (p. 8)	Adequacy	VML/VACO		
2. Telecommunications tax -- Consider Del. Bryant's Subcommittee recommendations (HJ 209) [Jt. Sub.]	Unknown	Report to be issued August 2002	Adequacy Efficiency	VML/VACO Tele-communications Companies		
OTHER						
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) [Jt. Sub.]	N/A	Tab 7-A (pp. 1-3)	All			
2. Distribute at least 6% of the state's annual individual income tax collections to local governments [Morris]	FY 03 - \$448.8 mil out of 7,480.1 mil FY 04 - 472.4 mil out of 7,873.9 mil	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 [Bliley]		Bliley (pp. 27-28)	Adequacy	VML/VACO Localities		

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4. Maintain a low tax burden on businesses [Bliley]	Unknown	Bliley (p. 25)	Equity Adequacy Efficiency	VMA VA Chamber VA Retail Merchant's		
5. Tax incentives for economic growth [Bliley]	Unknown	Bliley (p. 25)	Equity Adequacy Efficiency	VA Chamber		
6. Equalization of the taxing authority of counties and cities [Jt. Sub., Morris, Bliley]	Unknown	Morris (p. 33) Bliley (p. 30)	Equity	VML/VACO		
7. No new unfunded mandates on local governments by the Commonwealth [Bliley]	None	Bliley (p. 31)	Equity	VML/VACO		
8. Creation of a tribunal, not located within or reporting to the Department to Taxation, to hear taxpayer appeals [Bliley]	Unknown	Bliley (p. 35)	Equity Efficiency			
9. Creation of a permanent body to analyze, on a continuing basis, the fiscal needs and resources of Virginia's state and local governments [Morris]	Unknown	Morris (p. 34)	All			
10. Tax simplification - more user friendly [Jt. Sub.]	Unknown		Efficiency			
11. User Fees--Consider expanding use [Jt. Sub.]	Unknown	Tab 3 - April 29th mtg. summary	Equity			
12. 2002 Referred Legislation [HFC, SFC]		Tab 9	All	Bill Patrons		

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