ALERT

Capitol Contact

2019 Virginia General Assembly

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Contact budget conferees on machinery and tools tax language

Proposed language in the Senate budget is problematic and could put machinery and tools tax revenue in jeopardy. Item 255 #1s directs the Secretary of Finance to convene a workgroup of stakeholders to develop a proposal to eliminate machinery and tools taxes on new equipment for its first five years, and reimburse localities for up to $50 million per year in foregone revenues.

The proposal is to include recommendations for sources of revenue to reimburse localities, including dynamic growth in tax revenues associated with growth in manufacturing and sales tax revenue collected from remote sellers after July 1, 2019. The plan is also to include an option for localities not levying machinery and tools taxes to reduce business personal property taxes by $1 million per year and receive reimbursement from sales tax revenue collected from remote sellers.

VACo believes an arrangement where the tax would remain in place, but the state would reimburse the taxpayer is a better approach.

ACTION REQUIRED – Please contact Conferees and request that the proposal be eliminated.

KEY POINTS

- The language of the amendment is prescriptive and contemplates no alternatives to its proposed model of tax relief.

- Under the current language, the proposal to be developed would leave localities reliant on the state to maintain its commitment in future years to reimburse localities for lost revenue associated with eliminating machinery and tools taxes for new equipment.

KEY CONTACTS

Senate Budget Conferees
Norment | Hanger | Howell | Saslaw | Newman | Ruff | Wagner

House Budget Conferees
Jones | Landes | Peace | Knight | Garrett | Torian | Sickles

VACo Contact: Katie Boyle