

House Bill 1896 and Senate Bill 1182: Work Group

Office of Tax Policy, Policy Development
Division

July 31, 2023

- ▶ Introductions
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- ▶ Statement of Purpose
- ▶ Overview: Work Group Road Map
- ▶ Open Forum: Input and Discussion
 - ▶ Payment and Distribution Proposals
 - ▶ Modernization and Simplification Proposals
- ▶ Next Steps

Department of Taxation Contacts

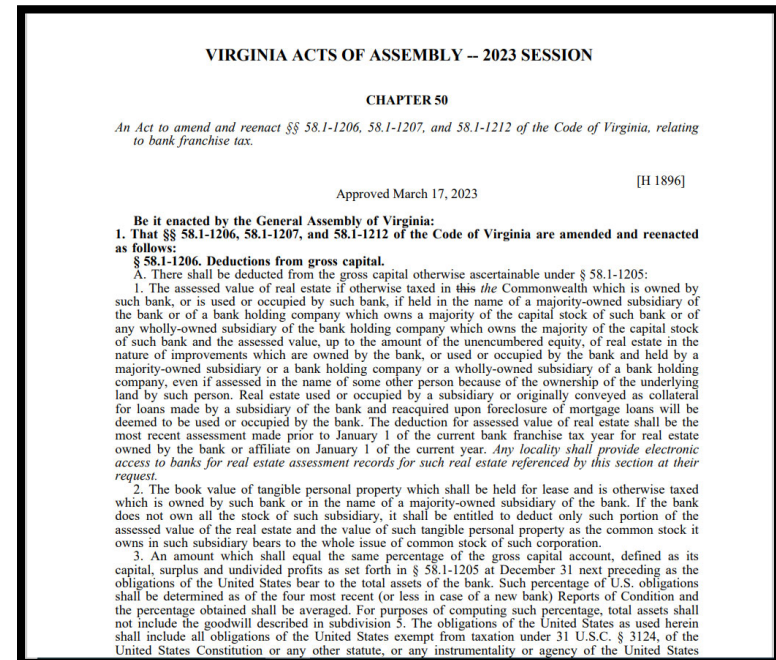
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HB 1896 & SB 1182

As introduced these bills would have:

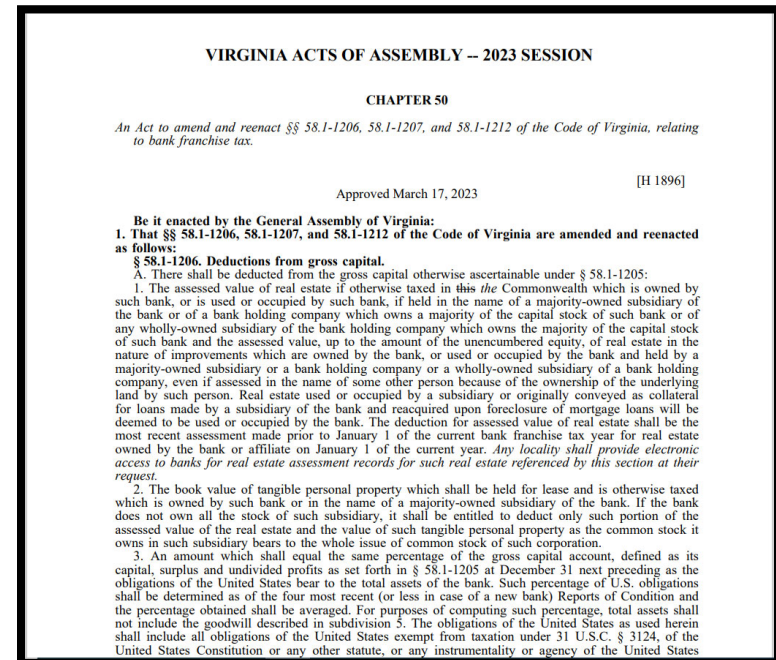
- ▶ Created a centralized process, whereby banks having \$40 billion or greater in Virginia deposits could elect to pay the BFT entirely to Virginia Tax.
- ▶ This election would be binding for 10 years.
- ▶ 80% of BFT revenue from banks making such an election would have been distributed to localities based on population through a newly created Local Bank Franchise Tax Fund.



HB 1896 & SB 1182

As passed these bill made the following changes, effective January 1, 2025:

- ▶ Electronic filing of the BFT with Virginia Tax.
- ▶ Creation of an online portal by Virginia Tax.
 - ▶ Giving localities access to electronically filed BFT returns.
- ▶ Elective 60 day filing extension, and
- ▶ Localities required to provide electronic access to land records.

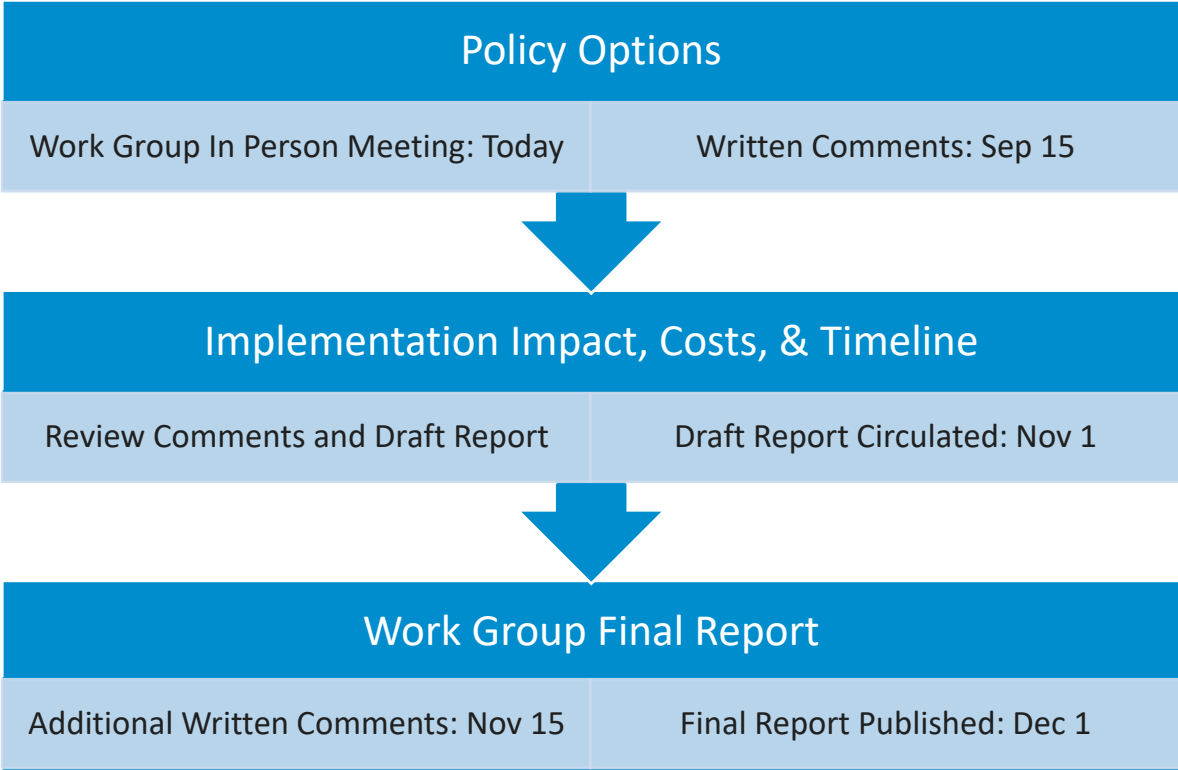


The Department shall convene a work group to assess potential alternative methods for the filing and allocation of bank franchise tax revenues for consideration in the 2024 Session of the General Assembly.

The work group's considerations will include, but not be limited to:

- ▶ permitting banks to submit their bank franchise tax payments to the Commonwealth,
- ▶ changes to the formula used to redistribute funds to local governments,
- ▶ the impact of the new method of collecting and distributing funds on counties, cities, and towns,
- ▶ the timeline for implementation of any proposed changes, and
- ▶ the cost to the Commonwealth and local governments of implementing these changes.

Overview: Work Group Road Map



Provide Policy Options and Comments

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Step 1

In-Person Meeting

- ▶ Legislatively mandated:
 - ▶ Permitting banks to submit their bank franchise tax payments to the Commonwealth, and
 - ▶ Changes to the formula used to redistribute funds to local governments.
- ▶ Optional:
 - ▶ Modernization proposals, and
 - ▶ Simplification options.

Step 2

Written Policy Options and Comments-By September 15, 2023

- ▶ Presentation will be made available on the Virginia Tax webpage later this week:
<https://www.tax.virginia.gov/>
- ▶ Please Provide all Policy Options or any Comments in Writing:
 - ▶ By September 15, 2023
 - ▶ To: james.ford@tax.virginia.gov
- ▶ Final Report Submitted by December 1, 2023, to the Chairperson of the following:
 - ▶ House Committee on Finance;
 - ▶ House Committee on Appropriations; and
 - ▶ Senate Committee on Finance and Appropriations.