



Virginia Manufacturers Association Policy Statement on Taxation

The Virginia Manufacturers Association (VMA) is supportive of efforts to critically evaluate the Commonwealth's system of taxation. Pursuing change in this system through the legislative process is important because it offers all stakeholders an opportunity to contribute to the prioritization of core government services, and to take appropriate and prudent measures to protect Virginia's AAA bond rating. These changes should also be considerate of the long-term effects they may have in either growing or squelching the economic recovery of Virginia's industrial base.

In fact, the VMA has recently adopted the following tax, fiscal and fees for services policy statements that will help legislators understand what type of tax environment we need in order to survive and thrive in Virginia. The policies are as follows:

The VMA strongly believes that the Commonwealth needs a tax policy that enhances economic growth and encourages productivity through technology and investment incentives and recognizes that the effective tax rate on manufacturers must be measured against our ability to compete globally versus simple arithmetic comparisons of single tax rates in neighboring states. Further, the VMA has maintained and recently reconfirmed a uniform tax policy statement that it does not support any single tax levied on a single industry.

The VMA encourages the pursuit of fiscal policy that does not allow core government services to be devolved into fee-based services that force disproportionate taxation on specific sectors of the economy and recognizes the preference Virginia must demonstrate in encouraging businesses that represent "basic industry" and therefore bring new money to the Commonwealth by virtue of the fact that 50% or more of their sales come from outside the state or nation.

The VMA is affirmed in its position that fees for services should be controlled as an "unfunded mandate" on industry, measured as a part of an overall effective tax rate and not allowed to be altered without the same machinations required for other tax rate alterations. Further, fees should: (1) recover only a portion of the agency's costs of permit processing, (2) be collected for the purpose of more efficiently and expeditiously processing permits, (3) augment, not supplant or reduce, general funding of agencies, (4) have dollar amounts of the fees capped by statute, (5) not place existing or prospective industries at a competitive disadvantage with industries in competing states and countries, and (6) require regulatory agencies to be accountable to the General Assembly for their use of the fees and their effectiveness in processing permits, and budget amendments and bills which are contrary to these six principles should be opposed.

Through reliance on a proven ability to innovate, a consistent commitment to quality and excellence in products and processes, and a durable entrepreneurial spirit, modern manufacturers will do their part. We will demand the same of government.

Virginia Manufacturing Economic Impact:

Business Establishments

Manufacturing	=	7,000
Transportation, Trucking & Warehousing	=	5,000
<i>Manufacturers w/20+FTE</i>	=	2,743

Employment

Manufacturing	=	330,000
Average Size	=	144
Median Employment	=	50
Transportation, Trucking & Warehousing	=	52,000

Average Weekly Wages

Manufacturing	=	\$805 (<i>8% above state business average</i>)
Transportation, Trucking & Warehousing	=	\$720

Economic Performance

Manufacturing Average Sales	=	\$20,926,167.00 - \$35,760,782.00
Manufacturing Median Sales	=	\$1,000,000.00 - \$5,000,000.00
Manufacturing Share of GSP ¹	=	12.3% (2002), 11.6% (2001)

Technology-Intensive Manufacturers²

Average Sales	=	\$50,000,000.00+
Average Employment	=	132

Note: Virginia has lost 1 in 7 manufacturing jobs since July 2000 (Source: BLS, March 2003)

¹ Figure does not account for service sector businesses dependent upon manufacturing output.

² Source: www.cit.org/pdf/ManufacturingExecSum.pdf