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## Business groups seek tax policy changes at General Assembly

By John Reid Blackwell



Targeting tax reductions for business investments, maintaining a relatively speedy home-foreclosure process in Virginia, and expanding the possible penalties for shoplifting are among measures that major business organizations are seeking during this year's General Assembly session.

Yet what might develop as the biggest business issue of the session is one that has many Virginia small businesses rallying against what they see as government favoritism for a big business based out of state.

That debate centers on Amazon.com Inc.'s plan to open two distribution centers in the Richmond area later this year, employing 1,350 people. The Seattle-based company is pledging a \$135 million investment in Virginia.

But Gov. Bob McDonnell's administration says the online retail giant still won't have to collect and remit the state sales tax on items it sells to Virginians.

Businesses typically have to remit state sales taxes if they have a physical presence in the state where they make sales.

However, organizations representing bricks-and-mortar retailers say Amazon has exploited a loophole by structuring its business operations in a way that its fulfillment centers are not legally considered the entity that makes the sale, and thus do not have to collect and remit sales taxes.

The organizations have renewed a push to require the company to collect and remit the tax like other businesses with a physical presence in the state.

"We are looking at all the options out there, whether it is something that has to be done through the legislature or something that can be done through other avenues," said George Peyton, vice president for government relations for the Virginia Retail Federation, the lobbying arm of the local Retail Merchants Association and the Retail Alliance in Hampton Roads.

In 2010, legislation that would have required online retailers to collect the 5 percent state sales tax passed the Senate but failed in the House of Delegates.

This time, the retail organizations are focusing on how the tax code defines a company's physical presence in the state.

"The (online retailers) that have a physical presence in the state benefit from the tax dollars that support public safety and education," Peyton said. "It's only fair," he said, that they collect and remit the sales tax, too.

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**Here are some other issues** and proposals that business groups are supporting or opposing:

- Eliminating or reducing the state's business, professional and occupational license tax, commonly referred to as the BPOL tax.

The retail organizations want to repeal the tax but find ways to preserve the revenue stream for government, Peyton said.

- Opposing a 20-cent-per-bag tax proposal on some businesses, such as grocery stores, that use plastic bags for customers.
- Changing how the machinery and tools tax is applied.

The Virginia Manufacturers Association has sought for years to eliminate the tax, arguing that it hinders business investment. But proposals to kill the tax have been opposed by many local governments that rely on the revenue.

"We have conceded that until we find a replacement source of revenue, we can't fully eliminate the

machinery and tools tax," said Brett Vassey, president and chief executive officer of the Manufacturers Association.

This year, the group is offering a different approach, seeking to classify new investments in machinery and tools as capital and exempting them from the tax for three years, starting July 1.

After three years, local governments could tax tools and machinery the same as always, Vassey said, but the first three years are the most important and expensive time for business startups, when the tax exemption would help them most.

"It is a novel approach, and it is not the final solution," Vassey said. "But it is something we believe would incentivize about \$1 billion in investments in Virginia."

- Providing additional funding for workforce training programs.
- Keeping Virginia's relatively speedy home-foreclosure process.

The Virginia Bankers Association is opposing legislation that it says would slow down the process.

"We will be advocating for not changing or delaying the foreclosure system because it is working pretty well in Virginia," said Bruce Whitehurst, the organization's president and CEO.

The foreclosure process can take a year in Virginia, but that is still faster than some other states, he said. "Where it takes longer for the foreclosure process to occur, that just keeps housing prices depressed that much longer," he said.

- Encouraging "angel investors" to invest in small-business startups by allowing them to exclude from taxable income gains made from an investment held for five years. The Virginia Chamber of Commerce says the legislation would help budding new businesses.
- Banning project labor agreements, which require contractors to use only union labor on public projects.
- Permitting businesses to press criminal charges against shoplifters while also filing civil lawsuits seeking restitution. Businesses can now only do one or the other, said the Retail Federation's Peyton. "We are one of five states that do not permit (businesses) to pursue both," he said.
- Funding transportation upgrades, so roads and bridges can keep up with population growth, the Greater Richmond Chamber said.
- Putting \$10 million into fostering the life-sciences industry in the state, the chamber said.