

**REPORT OF THE
DEPARTMENT OF TAXATION**

**Study of the Proposal to Define
Manufacturers for All State and Local
Taxes as Defined in the Standard
Industrial Classification Manual**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 75

**COMMONWEALTH OF VIRGINIA
RICHMOND
1994**



COMMONWEALTH of VIRGINIA

Department of Taxation

January 18, 1994

TO: The Honorable George F. Allen
 Governor of Virginia
 and
 The General Assembly of Virginia

The 1993 General Assembly, in House Joint Resolution No. 527, directed the Department of Taxation to study the benefits of adding to Title 58.1 of the Code of Virginia for all state and local taxes the definition of a manufacturer as defined by Standard Industrial Classification codes 20 through 39.

Enclosed for your review and consideration is the report that has been prepared in response to this resolution.

Respectfully submitted,

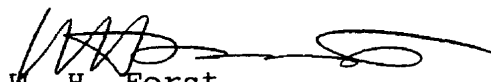

W. H. Forst
Tax Commissioner

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I. EXECUTIVE SUMMARY

House Joint Resolution 527 of the 1993 Virginia General Assembly requested the Department of Taxation (TAX) to conduct a study on the benefits of adding to Title 58.1 of the Code of Virginia, for all state and local taxes, the definition of "manufacturer" as defined by Standard Industrial Classification (SIC) codes 20 through 39.

This study was designed to explore the feasibility of using a uniform definition of "manufacturer" for all state and local taxes; however, local tax issues were the true driving force behind the Resolution. This is because classification as a manufacturer provides a business with significant local tax benefits in the form of exemptions from the local business license, tangible personal property tax and, in some localities, a lower tax rate on machinery and tools.

Clearly, local tax administrators, the business community, and Virginia's public and private economic development community are all interested in determining whether a uniform definition of "manufacturer" is a feasible and attainable goal. Local tax administrators and economic development groups have approached this issue along parallel tracks of concern:

- ◆ Local tax administrators are concerned with the lack of certainty in their classification of businesses as manufacturers, a concern which reflects both administrative and revenue considerations.
- ◆ Industry and economic development groups are sensitive to the lack of uniformity in classification among localities, which reflects concerns as to a level playing field for business and Virginia's ability to attract and retain business in a competitive national and international environment.

Using the SIC codes as a means of classifying manufacturers has both benefits and drawbacks. However, TAX currently uses the system (as the result of a 1983 law change) for purposes of determining eligibility for the sales and use tax manufacturing exemption. Also, at least one locality uses the SIC codes as a tool for managing and administrating local license tax classification.

The primary benefits of an SIC code approach appear to be:

- ◆ Increased uniformity in classification among all localities.
- ◆ Increased uniformity in defining a manufacturer for all state and local taxes.
- ◆ Increased certainty as to classification.

The major drawbacks of the SIC approach appear to be:

- ◆ A perception that the SIC codes relating to manufacturing include many types of businesses that would not currently be classified as manufacturers, e.g., processors.
- ◆ A converse concern that some businesses currently classified as manufacturers would no longer be deemed as such under the SIC codes.
- ◆ A concern that a manufacturer's tangible personal property and gross receipts may escape local taxation even though the actual manufacturing activity occurs outside the locality's jurisdiction.
- ◆ A concern that businesses may misclassify themselves, i.e., choose an incorrect SIC code in order to escape local taxation.
- ◆ Uncertainty as to the revenue implications for localities.

Although all of the interested parties in this study share some of the same concerns, the bottom line issue of revenue loss for local governments may render it impossible to obtain immediate resolution--either in the form of an SIC-based classification system or some other uniform definition of "manufacturer." However, other mechanisms are in place, including the current study of the local license tax pursuant to HJR 526, which will allow the interested parties to further explore the issue.

PART II. INTRODUCTION

In its efforts to encourage manufacturing in Virginia, the Virginia General Assembly has afforded manufacturers significant tax benefits in the form of exemptions from certain state and local taxes. Virginia's economic development community relies on this preferential treatment to attract new businesses to Virginia and to retain existing ones.

Similarly, the state and many localities agree that locating manufacturers within a jurisdiction may ultimately stimulate state and local economies. Under this scenario, jurisdictions anticipate increased employment, greater spending and other activities associated with expanding economic development and that such development will subsequently result in increased income tax and sales tax revenues. It is further anticipated that new businesses, established to service the expanding manufacturing activities, will locate within the jurisdiction and thus increase business tax revenues.

Nevertheless, there is an immediate loss of revenue suffered by taxing jurisdictions through tax exemptions afforded to manufacturers. Jurisdictions are therefore extremely careful when determining which taxpayers are manufacturers, and thus eligible for special treatment.

Pursuant to Va. Code § 58.1-602, "manufacturing" is defined for purposes of the retail sales and use tax. However, no definition of "manufacturing" or of "manufacturer" is provided in those statutes which pertain to any of the local taxes.

Absent such a statutory definition, some confusion and misunderstanding are inevitable. For example, a business may be considered as a manufacturer by TAX for state tax purposes but not so for local taxation as determined by localities. Conversely, a locality may classify a business as a manufacturer for local tax purposes, but the business may not be exempt for state tax purposes.

In an effort to lessen any confusion and misunderstanding surrounding the determination of which businesses are entitled to special treatment afforded manufacturers, HJR 527 proposes adopting for all state and local taxes the definition of a manufacturer as defined in SIC codes 20 through 39. In so doing, HJR 527 anticipates that such a definition can be uniformly applied for local tax purposes by Virginia's 136 localities and so enhance Virginia's business environment by reducing the uncertainty of tax application.

HJR 527 requested that TAX study the benefits of the proposal. In so doing, TAX formed a committee of interested parties which includes TAX personnel, commissioners of revenue, assessing officers, industry representatives, trade associations, economic development officials and local government organizations.

PART III: BACKGROUND

A. CURRENT DEFINITIONS

Currently, Virginia's local tax officials rely primarily on the common law definition of "manufacturing" in determining which taxpayers are eligible for beneficial tax treatment as manufacturers. TAX on the other hand relies primarily on the SIC codes in administering the retail sales and use tax. As discussed below, there are similarities, but also significant differences, between these definitions.

Common law definition

While "manufacturing" is not currently defined in the Code for local tax purposes, a working definition of the term has been developed as a result of numerous Virginia Supreme Court cases. According to the Court, manufacturing is an activity which transforms "new materials into an article or product of substantially different character...." Solite Corp. v. County of King George, 220 Va. 661, 261 S.E.2d 535 (1980). Furthermore, this transformation is such "so that the raw materials are not recognizable in the finished product without previous knowledge." Prentice v. City of Richmond, 197 Va. 724, 90 S.E.2d 839 (1956).

According to the Court, the mere processing, manipulation, rearrangement or blending of raw materials, without substantial transformation, is not manufacturing. Further, a manufacturer does not lose its classification because it engages in some nonmanufacturing activity, "but it will still be classified as a manufacturer for tax purposes if the manufacturing portion of its business is substantial." County of Chesterfield v. BBC Brown Boveri, 238 Va. 661, 261 S.E.2d 890 (1989).

SIC code definition

The preface to the SIC manufacturing section provides that manufacturers include "establishments engaged in the mechanical or chemical transformation of materials or substances into new products." While this definition shows a strong resemblance to the definition developed under Virginia common law, manufacturing under SIC definition goes on to include those establishments engaged in the blending of materials. Also, the group includes establishments which process goods. With its inclusion of blending and processing, the SIC codes provide a definition of "manufacturing" considerably broader than that envisioned by the Virginia courts.

As discussed on the next page, these distinctions are not so great for purposes of the sales and use tax where an exemption is provided for both manufacturing and processing so long as these activities are industrial in nature.

B. CURRENT USE OF SIC CODES: RETAIL SALES AND USE TAX

The retail sales and use tax is levied on tangible personal property used or consumed in Virginia. However, an exemption from the tax is authorized by Va. Code § 58.1-609.3(2) for machinery, equipment and tools "used directly in processing, manufacturing, refining, mining or converting products for sale or resale." Further, the Virginia Supreme Court has ruled that the exemption is intended to apply to "processing [and] manufacturing ... of products for sale or resale only in the industrial sense." Golden Skillet Corporation v. Commonwealth of Virginia, 214 Va. 276, 199 S.E.2d 511 (1973).

Thus, in order to qualify for this exemption, a taxpayer must first be manufacturing products for sale or resale and, second, the manufacturing must be "industrial in nature." Pursuant to Va. Code § 58.1-602 "industrial in nature" is defined to include, "but not be limited to, those businesses classified in codes ... 20 through 39 published in the Standard Industrial Classification Manual...." Therefore, TAX does not use the SIC codes to define manufacturing, but to determine industrial manufacturing and processing activities.

Prior to a law change in 1983, the sales and use tax laws did not provide a definition of "industrial," and TAX relied on factors which related to the size of a business. These factors, including plant size, degree of mechanization and amount of capital investment, may not now be used in making a determination. The elimination of any factors related to size helps ensure that taxpayers who compete against each other receive similar treatment.

Furthermore, this exemption has been available for manufacturing and processing since the inception of the sales and use tax. While many manufacturing disputes for local tax purposes involve a processor claiming to cause enough transformation to be a manufacturer, this issue does not arise in regard to Virginia's sales and use tax exemption because manufacturers and processors have always qualified for the exemption (if their operations are industrial in nature).

C. LOCAL TAXES

For purposes of Title 58.1 of the Code, special treatment is afforded manufacturers doing business in Virginia. The taxes this study is concerned with are:

- ◆ State intangible personal property tax (Va. Code Ann. § 58.1-1100 *et seq.*).
- ◆ Local personal property tax (Va. Code Ann. § 58.1-3507).
- ◆ Business, professional, and occupational license tax (Va. Code § 58.1-3700 *et seq.*).

Machinery and tools tax

Pursuant to Va. Code § 58.1-3507, the machinery and tools used in a manufacturing business are segregated as a separate class of tangible personal property and are subject to local taxation. Localities may choose to tax the machinery and tools of manufacturers at a rate lower than that imposed on other classes of tangible personal property, or they may exempt manufacturers' machinery and tools from local tax entirely. The rate for machinery and tools, however, may not exceed that imposed upon the general class of tangible personal property.

Machinery and tools "used in a manufacturing business" need not be used directly in the manufacturing process in order to be subject to a locality's machinery and tools tax. Rather, the classification applies to those machinery and tools which: i) are necessary in the manufacturing business, and ii) which are used in connection with the operation of that machinery which is directly used in the manufacturing process.

In contrast to the other tax preferences for manufacturers that are mandated by state law, this section merely authorizes localities to provide a preference. By setting the tax rate for machinery and tools at the same rate as other personal property, the locality can, if it chooses, provide no tax preference at all.

Localities are responsible for classifying taxpayers as manufacturers and determining which property is eligible for the segregated tax treatment of machinery and tools. This segregated classification and taxable treatment of machinery and tools is generally not available to processors. This means that the machinery and tools used by processors may be taxed by the locality as tangible personal property at a rate which is often higher than the rate levied on a manufacturer's machinery and tools.

Intangible property tax

Pursuant to Va. Code § 58.1-1101(A)(2), personal property (other than machinery and tools, motor vehicles, and delivery equipment) used in manufacturing is classified as intangible personal property even though it is, in fact, tangible personal property. As authorized by Va. Code § 58.1-1101(C), such intangible personal property is segregated for taxation exclusively by the state, which since 1985 has chosen not to tax it.

The segregation of personal property as intangible personal property is available for property (excluding machinery and tools as discussed above) used in manufacturing, mining, radio and television broadcasting dairy, dry cleaning, and laundry businesses. For example, office furniture or administrative equipment used in manufacturing is classified as intangible personal property and exempt from local taxation.

This is potentially a substantial tax benefit, and some interested parties noted that past marketing efforts by the Department of Economic Development for corporate headquarters and administrative facilities have emphasized this point. On the other hand, other interested parties argued that this may be a disincentive in attracting manufacturing plants to Virginia -- they argue that any tax exemption for office furniture and administrative equipment is likely to be outweighed by the tax that the business would pay on machinery and tools.

Business and local tax officials are faced with two questions to resolve regarding this classification: First, is the business a manufacturer under the common law definition. Second, assuming the business is a "manufacturer," which property is "used in manufacturing" and eligible for segregation. In resolving these questions some local tax officials consider only the activities within the locality, while others may consider the worldwide activity of the business. Thus, in some localities a business that manufactures products throughout the world may be denied the intangible classification for its property on the grounds that it is not manufacturing anything within the locality or because the property in the locality is too far removed from manufacturing activity to be considered "used in manufacturing."

Many of the interested parties have commented on this lack of uniformity in the administration of the classification of a manufacturer's property; however, this is an issue that generally cannot be resolved through a uniform definition of "manufacturer."

Business, professional, and occupational license tax

Under authority of Va. Code § 58.1-3703(B), no county, city, or town shall levy any license tax on a manufacturer "for the privilege of manufacturing and selling goods, wares and merchandise at wholesale at the place of manufacture."

This license tax, which is levied on the gross receipts of a business, provides an exemption for manufacturers; however, the exemption is applicable only when wholesale sales are made from the place of manufacture. Therefore, manufacturers who make retail sales, or who conduct wholesale sales away from the place of manufacture, may be subject to a license tax as a retail merchant or as a wholesale merchant, respectively.

The issue of factory made wholesale sales has also been raised by many of the interested parties in hope of gaining clarification; but again, this is an issue that cannot be resolved through a uniform definition of "manufacturer." However, it appears that this issue, as well as the issue raised in the intangible personal property tax discussion above, will be explored further by the joint subcommittee established under House Joint Resolution 526 to study the local BPOL tax.

PART IV: CONCERNS

Increasing number of businesses eligible for exemption

Many of the interested parties are very uncomfortable with the proposal to define manufacturers based on the SIC codes, and the concern most frequently expressed is the perception that the SIC codes include many types of businesses not currently classified as manufacturers. At the heart of this concern is the potential disruption to revenue streams which may occur if the number of businesses eligible for the local exemptions increases. In fact, both the Virginia Municipal League and the Virginia Association of Counties have taken formal positions against the use of SIC codes in this way.

The SIC, through narrative provided in the introduction to the manufacturing section and through specific listings, includes as manufacturers many businesses which localities generally classify as nonmanufacturers.

For example, in Prentice v. City of Richmond, the taxpayer's operation is summed up to be "the buying, killing, cleaning, chilling, and the sale and delivery of poultry to various wholesalers and jobbers." Prentice was judged to be a taxable processor as opposed to a nontaxable manufacturer for local tax purposes. However, the taxpayer is classified as a manufacturer under SIC code 2015 which includes "poultry; slaughtering and dressing" and "poultry, processed; fresh, frozen, canned, or cooked."

This issue of substantially increasing the potential number of taxpayers eligible for exemption was not so critical an issue when the General Assembly adopted an SIC-based definition for purposes of the sales and use tax in 1983. This is because the sales and use tax exemption available to industrial taxpayers had always been available to both manufacturing and processing activities. Indeed, one rationale for adopting the SIC codes for sales and use tax purposes was to include those manufacturers which, because of their small size, did not meet the size-related industrial criteria used by TAX prior to 1983.

Excluding current manufacturers from exemption

There is also a converse concern that some businesses currently classified as manufacturers would no longer be deemed as such under the SIC codes. Photofinishing, for example, is an activity currently classified as manufacturing in many localities but which is classified in SIC code 73 (business services).

TAX was faced with this same issue in 1983 when an SIC-based definition was adopted for sales and use tax purposes. As noted above, however, the statutory definition of "manufacturing" includes "but shall not be limited to" those businesses classified in SIC codes 20 through 39. TAX may look at other criteria, including common law or product similarities, in determining that a business activity is eligible for exemption even though it is classified outside SIC codes 20 through 39. Therefore, a classification outside the manufacturing division of SIC is persuasive, but is not determinative.

Erroneous classifications

Many local tax administrators are also concerned that by adopting an SIC code approach to classification, businesses may misclassify themselves and choose an incorrect SIC code in order to escape taxation.

It is true that SIC codes are self-determined, but so is much else in a voluntary tax system. Indeed, in most of the court cases involving local taxes, it appears that the taxpayer initiated the dispute by self-determining its status as a manufacturer and implemented that determination by, for example, failing to report office equipment on a tangible personal property tax return. The locality in those cases was in no way prevented from challenging the taxpayer's determination after a factual review of the taxpayer's operations and filing history.

Just because a taxpayer improperly picks an incorrect SIC code for purposes of the sales and use tax exemption, TAX is not powerless to challenge that determination and to assess the proper tax. There is nothing inherent in a uniform definition, whether based on SIC codes or other criteria, which would prevent a locality from also challenging a taxpayer's self-determination.

However, erroneous classification may arise in situations other than a taxpayer's choosing the most advantageous SIC code. Under the SIC's principles of classification, each establishment (rather than the business as a whole) is classified according to its primary activity, which is measured by a number of criteria including number of employees, volume of business and other measures of economic activity. Therefore, there is no guarantee that businesses initially, or local tax officials on review, will reach uniform conclusions as to the proper SIC code for each establishment in a locality or for the business as a whole.

For example, a headquarters or administrative facility of a manufacturer would be classified as a nonmanufacturing facility under the SIC codes even though some localities currently would allow tangible personal property and license tax exemptions for the facility.

Unresolved variation in administering the local taxes

Another concern relates to the manner in which a uniform definition would be used for each tax preference. As noted above, merely being a manufacturer is generally not enough to qualify for each tax preference. Specific property must be used directly in a manufacturing process (sales and use tax), used in manufacturing (intangible personal property and machinery and tools tax), or sold at wholesale at the place of manufacture (license tax). HJR 527 is silent as to the impact of a uniform definition on the secondary requirements applicable to each tax preference.

If the secondary requirements are removed from the statute so that eligibility for a tax preference would depend solely on SIC codes, then eligibility for tax preference would be greatly expanded, and local revenues would be reduced. It appears that many of the comments received from local tax officials assume that the adoption of the SIC codes would eliminate the secondary requirements.

If the secondary requirements remain in the statute, then there will still be variation among the localities in deciding who, and what property, is exempt. This variation will be affected by where manufacturing activity is located and judgments by local tax officials as to how closely related property must be to a manufacturing process to be deemed "used in manufacturing" or sold at the place of manufacture.

One reason cited by some Commissioners of the Revenue for limiting the preference to businesses with manufacturing activity within their jurisdiction relates to their authority to examine activity outside of their locality. Many manufacturing classification issues require the Commissioner to visit the facility and view the operation in order to decide if the activity constitutes manufacturing, and if the manufacturing activity is a substantial part of the business. The Commissioner's authority to visit facilities located in other Virginia localities, other states, and even other countries is a valid concern.

Focusing on local activity, however, fails to recognize the increasing fragmentation and specialization in today's global economy. It is now common for the manufacturing activity that causes a transformation from raw material to finished product to be divided among many facilities that may be scattered throughout the world. Some steps may be subcontracted to other businesses, or standard parts may be purchased from the lowest cost supplier for assembly into the finished product. Looking only at activity occurring at a single location, one may not see sufficient transformation to constitute "manufacturing" under the common law definition. It may no longer be realistic to expect that an entire manufacturing process (i.e., transformation) will occur in one locality, or that activity at a single facility, seen in isolation, will be readily identifiable as part of a manufacturing process.

PART V: THE RATIONALE OF HJR-527

Uniform classification among localities

Local tax authorities classify businesses for local tax purposes, and this may lead to a business, with identical activities in different localities, being classified differently in those localities.

It is perceived that using an SIC-based definition will increase uniformity in classification among all localities, and TAX agrees that this is likely for some specific taxpayers. For example, due in part to changing technology and practices there is some confusion as to the proper classification of printers by local tax officials, and as a result different localities may treat printers differently. Nevertheless, virtually all products produced by a printing process are included in SIC code 27, and the businesses engaged in such production would be classified as manufacturers under HJR 527. Furthermore, many services directed to the printing trade, including typesetting, composition and color separation, are also classified as manufacturing in SIC code 27.

Therefore, if the SIC codes applied, it is probable that every locality would classify, for example, a commercial printer as a manufacturer, and that classification would likely be uniform regardless of which locality was involved. However, as noted above, there are other issues which appear to be of greater interest to the interested parties which will not be resolved through an SIC-based definition, or any uniform definition, of "manufacturer."

Uniformity for state and local taxes

Because TAX administers exemptions for sales and use tax purposes, and the localities for local tax purposes, instances occur where the same taxpayer is denied a manufacturing exemption by localities for local tax purposes yet granted an exemption by TAX. TAX is generally broader in authorizing exemptions, which is not surprising since the sales and use tax exemption applies to manufacturing and processing.

Conversely, instances occur in which the localities classify a business as a manufacturer but TAX does not. As noted above, however, the sales and use tax exemption is applicable only to those manufacturing and processing activities which are industrial in nature. Certain graphic design businesses, for example, enjoy exemption from local taxes because they meet the common law definition of "manufacturing" discussed above. Such businesses, however, are not classified as in SIC codes 20 through 39, but rather in code 73: business services. For purposes of the sales and use tax, such business are not "industrial in nature" and do not enjoy the exemption.

PART VI. CONCLUSION

The interest in a uniform definition of manufacturing appears to be driven primarily by concerns over the lack of uniform treatment of manufacturers for different tax preferences in different localities. All four tax preferences for manufacturers start with the common law definition and add secondary requirements. Differences in tax treatment for different tax types and among localities may be derived from any combination of: the differences in the statutory secondary requirements, different interpretations of the statute among tax officials, differing judgments when specific facts are considered by tax officials (e.g., whether raw material has been "transformed").

As long as there is any room for judgment in the interpretation of a law and its application to a specific set of facts, there will be differences of opinion. A uniform definition of manufacturer based on SIC codes may eliminate certain areas where judgment calls give rise to differences of opinion, such as whether manufacturing activity is substantial. It would not eliminate all such disputes. For example, the SIC code depends on an evaluation of an establishment's primary activity. "Primary" is susceptible to different interpretations, and even the use of mathematical percentages depends on what is used for computation (investment, operating cost, gross receipts, etc.). In addition, if the secondary requirements remain applicable to each tax preference, there would be room for further nonuniform treatment.

Nevertheless, mechanisms appear to be in place at this time for all the interested parties to further explore the issue:

- ◆ The current study of the local license tax under HJR 526 is addressing many of the same uniform classification issues, and an advisory committee consisting of industry and professional representatives, the Virginia Municipal League, the Virginia Association of Counties, and the Commissioners of Revenue Association has been formed to assist in this study.
- ◆ TAX is exploring with the HJR 526 advisory committee the feasibility of enhancing or overhauling its current "guidelines" for the local license tax. These guidelines are nonbinding, but provide localities guidance on the classification of various businesses, including manufacturers. Discussion has also occurred on the feasibility of TAX and the Division of Legislative Services developing a model license tax ordinance to address classification issues.
- ◆ There have been informal discussions among members of the bar and local tax officials to establish a more formal method for communicating circuit court decisions in local tax cases. This has also been discussed in the context of incorporating relevant decisions into TAX's local license tax guidelines. Frequently, only the parties involved are aware of these decisions, but greater awareness of the issues litigated (even in cases where different circuits have taken opposite positions) should enhance tax administration statewide.

- ◆ One large locality already uses the SIC codes for management purposes in its local license tax classification. This may provide an additional opportunity for study by local tax officials as to the revenue consequences of shifting to an SIC-based system for defining manufacturers.

These mechanisms should be explored to determine the degree to which they can increase uniformity and certainty in classification. Until then, recommendation for or against adoption of an SIC-based classification is premature.

1993 SESSION

LD9364204

HOUSE JOINT RESOLUTION NO. 527
AMENDMENT IN THE NATURE OF A SUBSTITUTE
 (Proposed by the House Committee on Rules
 on February 6, 1993)

(Patron Prior to Substitute—Delegate Diamonstein)

Requesting the Department of Taxation to study the benefits of adding to Title 58.1 of the Code of Virginia for all state and local taxes the definition of a manufacturer as defined by Standard Industrial Classification codes 20 through 39.

WHEREAS, the Code of Virginia contains the definition of a manufacturer based on Standard Industrial Classification codes 20 through 39 only for the sales and use tax (§ 58.1-602); and

WHEREAS, for local taxes, the 136 local commissioners of the revenue and directors of finance determine whether a business taxpayer is a manufacturer and, therefore, eligible for certain exemptions and special provisions; and

WHEREAS, adopting a uniform definition would promote business understanding of tax requirements, thus enhancing Virginia's business environment and reducing confusion and the need to constantly clarify definitions; and

WHEREAS, if the proposed definition were adopted, confusion, misunderstanding, and court cases would decrease and the business environment would be improved, thereby increasing the efficiency and effectiveness of state and local government; and

WHEREAS, if the proposed definition were not adopted, uncertainty of tax application would continue to be problematic for businesses, thus negatively impacting Virginia's business climate; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Department of Taxation be requested to study the benefits of adding to Title 58.1 of the Code of Virginia for all state and local taxes the definition of a manufacturer as defined by Standard Industrial Classification codes 20 through 39.

The Department shall complete its work in time to submit its final report to the Governor and the 1994 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

In conducting its study, the Department shall ensure the participation of manufacturing, business, and local government organizations and other interested groups. All agencies of the Commonwealth shall, upon request, assist the Department in its conduct of the study.

Official Use By Clerks	
<p style="text-align: center;">Agreed to By</p> <p>The House of Delegates</p> <p>without amendment <input type="checkbox"/></p> <p>with amendment <input type="checkbox"/></p> <p>substitute <input type="checkbox"/></p> <p>substitute w/amdt <input type="checkbox"/></p>	<p style="text-align: center;">Agreed to By The Senate</p> <p>without amendment <input type="checkbox"/></p> <p>with amendment <input type="checkbox"/></p> <p>substitute <input type="checkbox"/></p> <p>substitute w/amdt <input type="checkbox"/></p>
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HJR 527 - Definition of Manufacturing**

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