



# 2023 GENERAL ASSEMBLY SESSION

## WEEKLY REPORT

*Week Ending January 27, 2023*

As of January 27, 2,170 bills and resolutions have been introduced, of which 176 have passed the House and 217 have passed the Senate. The legislature has chosen not to advance 316 bills and another 1,910 are still pending action in sub- and full committees. Please note Key Session Dates on the attached report: cross-over is quickly approaching.

**For any questions regarding this report, please reach out to the Chamber office directly at: 703-368-6600**

**Prepared by:**



## GENERAL ASSEMBLY

As of January 27, 2,170 bills and resolutions have been introduced, of which 176 have passed the House and 217 have passed the Senate. The legislature has chosen not to advance 316 bills and another 1,910 are still pending action in sub- and full committees. As we move closer to the Crossover date, February 7<sup>th</sup>, the committee meetings are getting longer and start times are getting earlier to ensure all bills are heard and acted on before the deadline.

All proposed budget amendment requests have also now been posted. Non-money committee members had a chance to present their budget requests this past week. Now, House Appropriations and Senate Finance and Appropriations committee members and staff will consider what to include in their respective budgets, which will be revealed next Sunday.

### KEY SESSION DATES

- February 5<sup>th</sup> – “Budget Sunday” – House and Senate money committees release their proposed budgets
- February 7<sup>th</sup> – Cross-over – the half-way point of session when all bills must be acted on in their body of origin
- February 25<sup>th</sup> – Final day of session: Sine Die
- April 12<sup>th</sup> – Veto Session

## BILL TRACKER

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## VIRGINIA FILING ELECTION FLEXIBILITY ACT ADVANCED

### **SB796 (SUROVELL)/HB1405 (MCNAMARA)**

#### Summary

These bills will give Virginia corporate taxpayers additional flexibility to select how they file their corporate income tax returns.

#### Background

Corporations that pay corporate income taxes in Virginia have the option to file using the separate or consolidated method. This initial decision is typically made early in the company’s life cycle. Once made, a company is locked into it for at least for 12 years, but likely much longer given existing requirements.

Specifically, companies can only change filing methods if:

1. They have waited at least 12 years;
2. They agree to calculate under both methods (separate and consolidated) for the first two years and pay the higher tax of the two; and
3. For the preceding tax year, they would have paid higher taxes under the filing method they would like to adopt.

The law penalizes companies that have grown and developed and would like to select a new filing method. In 2022, Virginia shortened the election period from 20 years to 12 years (HB 348 - Watts). This legislation demonstrated support for a policy of increased flexibility.

This legislation would give additional needed flexibility to companies to choose the method of filing after waiting 12 years and agreeing to pay the higher tax amount for the first two years under the new election. This would give Virginia corporations greater filing flexibility while preserving the protections on near-term impact to state corporate income tax collections.

**STATUS REPORT:** More than 15 statewide, regional and local business and industry organizations are supporting this legislation. The House version of the bill was unanimously supported in the House of Delegates this week and the Senate version will be considered in the Senate Finance and Appropriations Committee this upcoming week.

## **POLICYMAKERS PROPOSE LEGISLATION TO CONSOLIDATE WORKFORCE DEVELOPMENT POLICIES AND PROGRAMS**

### **HB2195 (BYRON)/SB1470 (RUFF/BARKER)**

Policymakers have proposed legislation this session to address a long-held priority of many business organizations – to consolidate the Commonwealth's workforce development policies and programs.

[HB 2195](#) (Byron)/[SB 1470](#) (Ruff/Barker) seek to create a new department, the Department of Workforce Development and Advancement, as the administrator and fiscal agent for the Commonwealth's workforce development programs, consolidating statewide workforce program evaluation and data sharing and providing protections against improper disclosure of data. The legislation directs the Virginia Board of Workforce Development to conduct an independent evaluation of the operations and program objectives of the Department on a biennial basis, with the first report due on December 1, 2025.

The legislation also seeks to:

- Transfer administration of apprenticeship programs from the Department of Labor and Industry to the Department;
- Change the name of the Office of Education and Labor Market Analysis to the Office of Education and Workforce Research;
- Move the Office from the Virginia Economic Development Partnership Authority to the Department; and
- Shift the administration and implementation of adult education programs from the Board of Education and local school boards to the State Board for Community Colleges and comprehensive community colleges.

The legislation further directs the Secretary of Labor to conduct a comprehensive review of the Commonwealth's workforce development programs and make recommendations to address a wide range of subjects relating to improving the effectiveness and efficiency of Virginia's workforce programs.

**STATUS REPORT:** The House version, HB2195, was heard in committee this past week where Emily Reynolds testified in support of the bill on behalf of the Chamber. There was significant support, with positive statements delivered by many business associations and organizations. The bill was passed and rereferred to the Appropriations Committee on a 12-10 vote. The Senate version is expected to be heard this week in the Senate General Laws and Technology Committee.

## **GOVERNOR'S BUSINESS AND INDIVIDUAL TAX RELIEF PROPOSALS CONSIDERED**

**HB2319 (MCNAMARA)/SB1451 (NORMENT)  
HB2138 (MCNAMARA)/SB1355 (NEWMAN)**

Virginia Governor Glenn Youngkin has proposed a range of tax relief proposals that are being considered by the legislature. The Governor believes Virginia is uniquely positioned to take advantage of its favorable fiscal climate to provide business and individual tax relief to accelerate its competitive advantage and get ahead of the inflation crisis.

For businesses, the Governor is proposing a reduction in the corporate tax rate from 6% to 5%, along with a statewide 10% Qualified Business Income tax deduction for small businesses and pass-through entities. The Governor's amendments also propose an increase in the business interest expense deduction to 50% to provide Virginia businesses with a competitive advantage. The average corporation is estimated to save \$2,852 annually to help drive economic development. In addition, the Governor has proposed adding \$100 million to the Unemployment Trust Fund to ensure the fund's health and provide businesses with additional tax relief.

For individuals and families, the Governor's budget doubles the Standard Deduction to \$9,000 for individuals and \$18,000 for married couples filing jointly. The amendments also reduce the top marginal tax rate to 5.5% if General Fund revenues meet the forecast. This builds on the 2022 Standard Deduction increase for an estimated total of \$578 in annual tax savings for the average family of four starting in 2024. Finally, the Governor's budget eliminates the age requirement to claim the income subtraction for military retirement income.

**STATUS REPORT:** This week, the House versions of the Administration's bills, [HB2138](#) (McNamara) and [HB2319](#) (McNamara), were passed by the House of Delegates along a party-line vote of 52-Y 48-N. Emily Reynolds testified to this legislation on behalf of the Chamber in the House Finance committee. The Senate bills, [SB 1451](#) (Norment) and [SB 1355](#) (Newman) failed to advance in the Resources subcommittee of the Senate Finance and Appropriations Committee this past week, setting the stage for a likely similar result when the House versions of the bills "crossover" to the Senate.

## **OPPOSITION TO DATA CENTER BILLS**

**SB1078 (PETERSEN)  
SJ240 (PETERSEN)/HJ522 (ROEM)  
HB1974 (ROEM)  
HB1986 (ROEM)**

**STATUS REPORT:** This week, we actively expressed concern on behalf of the Chamber about anti-data center legislation that was introduced by Senator Chap Petersen and Delegate Danica Roem. These are among a number of bills introduced this session that would have a significant negative impact on the viability of one of Virginia's largest and most successful sectors of the economy. Legislation like this also sets a concerning precedent that discourages investment in the Prince William County, Manassas, and Virginia as a whole. In addition, these bills create uncertainty for the business community because they demonstrate how any industry could be targeted in a similar manner.

Senator Petersen's bill, [SB1078](#), was considered in the Senate Local Government Committee, which referred the bill to the Senate Rules Committee. [SJ240](#) (Petersen) and [HJ522](#) (Roem) were also referred to the Rules committee in their respective bodies. We will continue to monitor these bills; however, we are cautiously optimistic they will not make it through the legislative process.

Delegate Roem's bill, [HB1986](#), was considered this week in a subcommittee of House Commerce and Energy Committee. This legislation would have required net zero runoff for data center projects within one mile of any land owned or operated as a unit of the National Park Service or designated as a Virginia State Park or state forest. There was a substitute proposed in the subcommittee that specifically carved out Loudoun, further narrowing the focus of the legislation on Prince William County/Manassas. Emily Reynolds joined a long list of organizations that testified against the bill, which ultimately failed on a 6-1 vote.

## **PAID FAMILY AND MEDICAL LEAVE PROGRAM LEGISLATION FAILS IN THE HOUSE**

### **HB2035 (SEWELL)/SB1101 (BOYSKO)**

The General Assembly is considering legislation to establish a Paid Family and Medical Program in both the House and Senate bodies. The legislation would create a state-operated leave program operated by the Virginia Employment Commission that would cost Virginia employers hundreds of millions of dollars. The Chamber is opposed to this legislation, which would apply a government-run "one-size-fits-all" approach, rather than allowing businesses to decide how best to compensate their employees.

**STATUS REPORT:** Last week, the House Commerce and Energy subcommittee considered Delegate Brianna Sewell's Paid Family and Medical Leave Program legislation, HB2035. The bill failed to advance on a 4-3 vote. There is a Senate version carried by Senator Jennifer Boysko, SB1101, which will be considered this week in the Senate Commerce and Labor Committee.

## **NEWS RELEASES**

See below for news and information of potential interest from the past week.

### **HIRING UP, MORE VIRGINIANS LOOKING FOR EMPLOYMENT, DECEMBER JOBS REPORT SHOWS**

January 24, 2023 – Virginia Governor Glenn Youngkin announced the number of employed residents rose by 4,485 to 4,228,407 in December 2022. According to BLS Local Area Unemployment Statistics ("LAUS", or "the household survey"), the labor force in Virginia increased by 9,611 to 4,357,319.

Since January 2022, nearly 90,000 more Virginians are employed. More Virginians moved off the sidelines begin and looking for a job in December; and the Commonwealth's unemployment rate increased 0.2 percentage points to 3.0 percent which remains below the national rate of 3.5 percent. During the month, the number of unemployed residents increased by 5,126 to 128,912 but the overall number is down 10,422 since January 2022.

"Throughout the first year of our administration, job growth in Virginia was overwhelmingly led by the private sector--providing 86 percent of year-over-year job growth--with our valuable defense and public sectors continuing their strong contributions as well," said Governor Glenn Youngkin. "This encouraging

report showed thousands of Virginians coming off the sidelines and getting back into the workforce. We remain laser-focused on improving Virginia's competitive presence among states competing for jobs and businesses. As companies in Virginia continue to grow payrolls and drive our economy, we must keep moving forward to lower the cost of living and the cost of doing business in the Commonwealth." Job growth averaged 9,000 a month over the past year which is over twice the 2021 average and 28 percent more than the pre-pandemic average in 2019. Virginia's seasonally adjusted unemployment rate of 3.0 percent is 0.3 of a percentage point below the rate from a year ago.

The Commonwealth's labor force participation rate increased to 63.7 percent in December. The labor force participation rate measures the proportion of the civilian population age 16 and older that is employed or actively looking for work.

"Nearly 10,000 Virginians joined the labor force in December," said Secretary of Labor Bryan Slater. "This was the largest increase since May of last year and is a promising sign that more people are getting off of the sidelines and back into the workforce, as we start the new year."

"The Commonwealth's unemployment rate remained in a narrow range of 2.6 percent and 3.0 percent for much of 2022," said Secretary of Commerce and Trade Caren Merrick. "These low levels indicate a strong labor market, and we are encouraged by the number of people entered the workforce in December."

BLS publishes an additional employment figure from its Current Employment Statistics Survey ("CES" or "establishment survey"). Virginia CES employment edged up by 100 jobs in December to 4,097,900. The CES survey uses payroll records of establishment employers and is designed to provide a count of jobs under which the employer pays unemployment insurance. The LAUS survey is based on household interviews conducted each month for the Bureau of Labor Statistics and provides comprehensive data on the labor force, including those who are employed and unemployed.

The household survey only distinguishes between whether a person is employed or unemployed, whereas CES counts each employee that is on an employer's payroll. CES excludes business owners, self-employed persons, unpaid volunteers and private household workers, and those on unpaid leave or not working because of a labor dispute.

## Monthly Employment, Labor Force, and Unemployment Indicators

	Employment - LAUS		Labor Force - LAUS		Unemployment - LAUS			Non-farm Payroll Employment - CES	
	Level	Mo. Δ	Level	Mo. Δ	Level	Mo. Δ	Rate %	Level	Mo. Δ
<b>Virginia</b>									
Jan	4,138.5	NA	4,277.9	NA	139.3	NA	3.3	3,993.6	NA
Feb	4,156.1	17.6	4,292.1	14.2	136.0	-3.3	3.2	4,018.2	24.6
Mar	4,180.5	24.5	4,311.6	19.5	131.1	-4.9	3.0	4,024.2	6.0
Apr	4,200.2	19.7	4,330.0	18.4	129.8	-1.3	3.0	4,037.8	13.6
May	4,218.4	18.2	4,347.2	17.2	128.8	-1.0	3.0	4,047.8	10.0
Jun	4,232.3	13.9	4,355.2	8.0	122.9	-5.9	2.8	4,050.2	2.4
Jul	4,237.9	5.7	4,354.0	-1.2	116.1	-6.9	2.7	4,068.6	18.4
Aug	4,232.7	-5.2	4,346.8	-7.2	114.1	-2.0	2.6	4,085.6	17.0
Sep	4,233.7	1.0	4,346.9	0.1	113.2	-0.9	2.6	4,094.1	8.5
Oct	4,231.2	-2.5	4,348.1	1.2	116.9	3.7	2.7	4,097.3	3.2
Nov	4,223.9	-7.3	4,347.7	-0.4	123.8	6.9	2.8	4,097.8	0.5
Dec	4,228.4	4.5	4,357.3	9.6	128.9	5.1	3.0	4,097.9	0.1
<b>EoP</b>	<b>4,228.4</b>	<b>89.9</b>	<b>4,357.3</b>	<b>79.5</b>	<b>128.9</b>	<b>-10.4</b>	<b>3.0</b>	<b>4,097.9</b>	<b>104.3</b>

From January 2022 to December 2022, the VEC estimates that establishments in Virginia gained 104,300 jobs, an increase of 2.6 percent. The private sector recorded a gain of 82,100 jobs, while employment in the public sector increased by 22,200 jobs.

During the same January 2022 to December 2022 period, on a seasonally adjusted basis, ten of eleven major industry divisions realized recovery in employment levels while one industry experienced contraction. The largest gains in the period occurred in education and health services up 26,900 jobs (+4.9%). The second gain occurred in government, up 22,200 jobs (+3.1%). The third largest gain occurred in leisure and hospitality, up 20,500 jobs (+5.3%). Other job gains occurred in professional and business services, (+10,300 jobs), trade, transportation, and utilities (+6,400 jobs), construction (+6,000 jobs), miscellaneous services (+5,200 jobs), manufacturing (+5,100 jobs), information (+3,300 jobs), and mining and logging (+400 jobs). The only job loss occurred in finance (-2,000 jobs).

Comparing December 2022 figures to December 2021, on a seasonally adjusted basis, ten of eleven major industry divisions experienced employment increases while one saw an employment decrease. The largest absolute over-the-year job gain occurred in education and health services up 32,000 jobs (+5.9%). The second largest over-the-year job gain occurred in leisure and hospitality, up 23,200 jobs (+6.0%). The third largest over-the-year job gain occurred in government, up 15,000 jobs (+2.1%). Other job gains occurred in professional and business services (+9,900 jobs); trade, transportation, and utilities (+8,900 jobs); construction (+6,000 jobs); manufacturing (+5,200 jobs); miscellaneous services (+5,000 jobs);

information (+3,00 jobs); and mining and logging (+300 jobs). The only job loss occurred in finance, with a decrease of 5,000 jobs. For more details, visit the Virginia Employment Commission's website at [vec.virginia.gov](http://vec.virginia.gov).

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### **GOVERNOR GLENN YOUNGKIN HAILS MAJOR STEP FORWARD ON TAX RELIEF FOR VIRGINIA FAMILIES AND LOCAL BUSINESSES**

January 24, 2023 – Governor Glenn Youngkin today hailed the passage of his tax relief proposals, HB 2138 and 2319, in the House of Delegates which will provide savings to Virginia families and local businesses. The legislation will now head to the Virginia Senate for consideration.

“Virginians are still overtaxed, they deserve to keep more of their hard-earned paychecks and today’s significant move by the House of Delegates means Virginians are one step closer to additional relief,” said Governor Glenn Youngkin. “The reductions in individual income tax mean 86% of taxpaying Virginians will enjoy the benefits of a lower top tax rate and an additional 14,000 Virginians will pay no state income taxes. The reduction of tax rates for business will result in lower taxes for approximately 475,000 resident small business owners and local businesses across the Commonwealth. Reinvigorating Virginia’s tax structure will help make the Commonwealth competitive with other states so that we can compete to win. We proved last year, when Republicans and Democrats passed our \$4 billion tax relief package for Virginians, tax cuts don’t have to be a partisan issue.”

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### **THIRD DEMOCRAT ANNOUNCES IN 19TH HOUSE DISTRICT**

[https://www.insidenova.com/headlines/third-democrat-announces-in-19th-house-district/article\\_8a0001b0-9daa-11ed-abc7-b768bcd483aa.html](https://www.insidenova.com/headlines/third-democrat-announces-in-19th-house-district/article_8a0001b0-9daa-11ed-abc7-b768bcd483aa.html)

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