

West Virginia Legislature
Joint Standing Committee on Finance
2012 - 2013 Interims

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APPROVED FINAL REPORT OF

THE JOINT STANDING COMMITTEE ON FINANCE

TO THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE

February 12, 2013

Your Joint Standing Committee on Finance was assigned the interim study of the following topics during the 2012-2013 legislative interim period:

HB 4263--The West Virginia Buy American Act

HB 4511--Creating the Shale Research, Education, Policy and Economic Development Center at West Virginia University

HCR 92--Requesting the Joint Committee on Government and Finance to study the funding of the needs of community and technical colleges in this state

HCR 106--Requesting a study on how to best use the additional severance tax collections attributed to the production of natural gas

SCR 52--Requesting Joint Committee on Government and Finance study future legislation relating to natural gas

reserve development and recovery

HB4644 – Limiting the hotel occupancy tax

HCR136 – Public School Support Plan assumed values

SCR104 – Homestead exemption

Tax code changes that benefit seniors

Tax exempt property, part-time use impact on taxation

Tax issues generally

HCR 125--Requesting a study on the feasibility, need, costs, reliability and necessary procedures associated with having an impact statement on proposed legislation and regulations

SB 468--Allowing Courthouse Facilities Improvement Authority issue bonds

SCR 35--Requesting Joint Committee on Government and Finance study municipal property tax distribution

SCR 82--Requesting Joint Committee on Government and Finance study creation of Fiscal and Policy Division

Boy Scout Property Tax Exemption

State and Local Financing Issues Generally

Your Committee reports that in addition to the foregoing matters, a presentation was received from the Secretary of the Department of Revenue and its State Budget Office regarding the financial status of the State at the close of Fiscal Year 2011 - 2012; and, in a jointly held meeting with West Virginia Commission on Economic Development, presentations were received from the Cabinet Secretary of the West Virginia Department of Commerce and Executive Director of the West Virginia Development Office on “SCR 79 – Tax Credits” and the general study topic of “Transparency for tax expenditures to create/retain jobs;” and from Delegate John Doyle on a proposal to increase the expansion of the snow skiing industry of the State.

Each of the assigned issues itemized in bold above have been considered by Subcommittee A, B or C of Your Committee. Although the Subcommittees made no formal report to Your Joint Standing Committee on Finance, with respect to the matters assigned to each of those Subcommittees, Your Committee makes the following recommendations:

Subcommittee A:

Subcommittee A was appointed following the 2012 Regular Session of the Legislature and assigned the following topics for study during the interim period:

HB 4263--The West Virginia Buy American Act

HB 4511--Creating the Shale Research, Education, Policy and Economic Development Center at West Virginia University

HCR 92--Requesting the Joint Committee on Government and Finance to study the funding of the needs of community and technical colleges in this state

HCR 106--Requesting a study on how to best use the additional severance tax collections attributed to the production of natural gas

SCR 52--Requesting Joint Committee on Government and Finance study future legislation relating to natural gas reserve development and recovery

During the legislative interim period, Subcommittee A met and received information on these topics of study from various state agencies and other sources, including representatives from West Virginia University, the West Virginia Higher Education Policy Commission, the West Virginia Community and Technical College System, the Department of Revenue, and HCM Strategists.

Based on the testimony of all of the above and information submitted, Your Committee makes the following findings recommendations::

Regarding **HCR 106**, Your Subcommittee A **FINDS** that there has yet to be any additional severance tax revenue attributed to the production of natural gas. Your Committee **RECOMMENDS** that this topic be further considered in the future, should additional tax revenue be collected.

On the issue of **HCR 92**, Your Committee **RECOMMENDS** that it continue to work with the Community and Technical College System to monitor the funding needs of the community and technical colleges in this state. Additionally, the work of the Select Committee for Outcomes Based Funding Models for Higher Education continues on this topic. Your Committee **RECOMMENDS** that this issue be continued next year to give the committee an opportunity to review the upcoming budget for community and technical colleges and the recommendations of the Select Committee.

On the issues of **SCR 52** and **HB 4511**, Your Committee **RECOMMENDS** that the Legislature consider the information presented to the subcommittee as it considers any possible legislation on these issues during the Regular Session.

Subcommittee B:

Subcommittee B was appointed following the 2012 Regular Session and assigned the following topics for study during the interim period:

HB4644 – Limiting the hotel occupancy tax

HCR136 – Public School Support Plan assumed values

SCR104 – Homestead exemption

Tax code changes that benefit seniors

Tax exempt property, part-time use impact on taxation

Tax issues generally

During the 2012-2013 legislative interim period, Subcommittee B met and received information on several of these topics of study from the following state agencies, political subdivisions and other sources:

Representatives from the West Virginia Department of Revenue; representatives of county commissions; representatives of the West Virginia Municipal League; representatives of Mountaineer Racetrack; the Lewis Distinguished Professor of Business at the Marshall College of Business and Director of the BB&T Center for the Advancement of American Capitalism, Marshall University; the Treasurer and Business Manager of the Pendleton County Schools system; representatives of and a consultant for the West Virginia Association of Counties; and the President and members of the Association of West Virginia Assessors.

Based on the testimony of all of the above and information submitted, Your Committee makes the following findings recommendations:

Regarding **HB4644** and **Tax exempt property, part-time use impact on taxation**, Your Committee **RECOMMENDS** that during its upcoming regular session, the Legislature consider

restricting the exemption from the hotel occupancy tax to state and local government officials and employees occupying a hotel room in this state for thirty or more consecutive days; that it further study the question of whether “comped” hotel rooms at racetracks in the state are subject to the hotel occupancy tax pending judicial action on litigation recently filed to resolve the question; and that it further study the feasibility of imposing ad valorem taxes upon personal property that is not situated in a county on July 1 of an assessment year.

Regarding **HCR136** , Your Committee **RECOMMENDS** that the Legislature consider (1) legislation to amend existing statutes to remove penalties that reduce funding for local primary and secondary school systems that will be imposed as the result of certain prohibited actions or omissions of the system’s local county Assessor, but to provide adequate assurances that county Assessors will comply with the requirements lawfully imposed upon an Assessor’s assessment activities; and (2) legislation similar to the provisions of Engrossed HB4653 (Regular Session 2012) that would repeal language that will require the use of the Tax Commissioner's assessment ratio studies and assumed values established in November instead of the county final valuations fixed in March for purposes of establishing local share beginning in 2013.

Regarding **SCR104** and **Tax code changes that benefit seniors**, Your Committee **RECOMMENDS** that the Legislature continue to search for funding that can be made available to reduce state income taxes and county real property taxes imposed on seniors.

Regarding **Tax issues generally**, Your Committee **RECOMMENDS** that the Legislature, First, continue to monitor the actual fiscal and economic impact of the action of the Legislature which phased out the imposition of the Sales Tax on food; and Second, work in partnership with the West Virginia Department of Revenue and the State Tax Division to review the exemption of charitable property from ad valorem taxation and current inconsistencies in the application of that law by county assessors and courts, and consider legislation to formulate a clear and consistent

policy for the future application of the exemption.

Subcommittee C:

Subcommittee C was appointed following the 2012 Regular Session and assigned the following topics for study:

HCR 125--Requesting a study on the feasibility, need, costs, reliability and necessary procedures associated with having an impact statement on proposed legislation and regulations

SB 468--Allowing Courthouse Facilities Improvement Authority issue bonds

SCR 35--Requesting Joint Committee on Government and Finance study municipal property tax distribution

SCR 82--Requesting Joint Committee on Government and Finance study creation of Fiscal and Policy Division

Boy Scout Property Tax Exemption

State and Local Financing Issues Generally

During the 2012-2013 Legislative interim period, Subcommittee C met monthly for the purpose of studying assigned topics. The subcommittee received information and sought participation from the following state agencies, political subdivisions and other sources: West Virginia Department of Revenue; West Virginia Municipal League; West Virginia Association of Counties; the West Virginia Courthouse Facilities Improvement Authority; the Performance Evaluation Research Division of the West Virginia Legislature; Boy Scouts of America; Regional Economic Models, Inc.; and Legislative staff.

Based on the testimony of all of the above and information submitted, Your Committee makes the following findings recommendations:

Regarding **HCR125** and **SCR82**, Your Committee **FINDS** that while there are shortcomings in the current method of using agency-prepared fiscal notes to determine the costs associated with passage of legislation under consideration by a Legislative committee or body, economic modeling is not feasible for most bills introduced. Additionally, in a year which will require budget cuts, it is not feasible to create and fund an entirely new fiscal and policy division. After consideration of all testimony presented, Your Committee **RECOMMENDS** that the methods of requesting, receiving and utilizing fiscal notes, as well as the content of fiscal notes, continue to be studied.

Your Committee **FINDS** that any bill introduced relating to **SB468** be given consideration by the Finance Committees. The executive Director of the Courthouse Improvement Facilities Authority gave an impressive overview of the \$1.9 million recently awarded to 23 counties for facilities improvements and stressed the need for the Authority to have the ability to issue bonds to raise funds for paying the costs of approved modifications or construction of courthouse facilities.

Regarding **SCR35**, Your Committee **FINDS** that the Municipal League's position is that it is not interested in changing the approach to fund public education with property taxes but is interested in a fairer method of distribution and collection and the League's request that the Legislature encourage cooperation between stakeholders and taxing authorities to make changes to protect municipal taxpayers while promising the success of cities is reasonable. Therefore, Your Committee **RECOMMENDS** that the full Legislature encourage such cooperation.

Finally, in addition to hearing the testimony of representatives of the Boys Scouts of America regarding a **Boy Scout Property Tax Exemption**, the Subcommittee also traveled to Fayette County to tour the BSA Summit Bechtel Family National Scout Reserve. At this time, all of the construction at the site is progressing and it appears that a property tax exemption is not necessary to complete the facility as planned.

Your Committee further recommends that the Legislature work in partnership with the West Virginia Department of Revenue, the State Tax Division, the West Virginia Department of Commerce and the West Virginia Development Office to fashion and administer an approach to the use of business tax credits and expenditures that effectively promotes the economic development of this state and its workforce in a manner that provides public transparency and accountability.

Respectfully Submitted,



Senator Roman Prezioso
Co-Chairman



Delegate Harry Keith White
Co-Chairman