

West Virginia Tax Structure: Strengths, Weaknesses, Threats, Opportunities

Dr. Jennifer M. Shand
Director

Center for Business and Economic Research
Marshall University

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Conclusions

- Tax policy is one consideration for economic growth
 - Relatively friendly business in terms of costs, but other factors matter
 - Labor force
 - Regulations
 - Amenities and quality of life
- **Objectives matter**
- **Alignment and coordination is important**

Strengths

- Modest marginal tax rates and total burden
 - 6.5% top rate individual income tax 24th in 2012 for state and local income taxes per capita (\$946)
 - 7% corporate income tax rate
 - 18th in 2012 for corporate income taxes per capita (\$104)
 - 6% sales tax rate
 - 25th in general sales and excise taxes per capita (\$1,446)
 - Gas tax is among top 10 states in 2012
 - Cigarette tax is among bottom 10 states
 - 7th lowest property tax collections per capita
 - \$773 in 2012

Rankings and Neighbors

Dimension	WV	KY	OH	PA	MD	VA
Overall Business Climate	21	26	44	34	40	27
Corporate Tax	17	29	26	46	16	6
Individual Income Tax	26	30	47	17	45	39
Sales Tax	25	11	32	24	8	6
Unemployment Insurance Tax	23	45	5	50	21	37
Property Tax	25	17	20	42	41	26

<http://taxfoundation.org/article/2015-state-business-tax-climate-index>

Weaknesses

- Local capacity
- Severance taxes
- Coordination among taxes and credits
- Exportation of tax burden
 - Subsidization of public services
- Social service versus infrastructure spending

<http://www.brookings.edu/research/papers/2015/04/29-relationship-taxes-growth-state-level-gale>

Rankings and Neighbors

Dimension	WV	KY	OH	PA	MD	VA
Business Costs	22	14	30	42	41	24
Labor Supply	50	46	48	33	5	2
Regulatory Environment	48	24	6	21	36	1
Economic Climate	18	29	22	20	16	12
Growth Prospects	50	30	36	38	32	33
Quality of Life	39	34	11	7	8	5

<http://www.forbes.com/best-states-for-business/list/>



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Threats

- Increasing demand on state for social services
 - Aging population
- Declining tax base
 - Working age population
 - Employer/workforce alignment

Opportunities

- Assess objectives of tax policy
 - Revenue generation?
 - Altering incentives?
 - Provision of services or infrastructure?
- Pursue alignment among tools and objectives
 - Different priorities have different funding mechanisms
 - Evaluation of mechanisms and outcomes
 - e.g. tax incentives for economic development
- Coordination among jurisdictions, agencies

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