

**Testimony of Ben Wilterdink
Director, Commerce, Insurance and Economic Development Task Force
West Virginia Joint Select Committee on Tax Reform
October 20, 2015**

Chairman Hall, Chairman Nelson, members of the committee, thank you for the opportunity to testify before you today and provide non-partisan research and analysis on the West Virginia state tax code. I currently serve as the Director of the Task Force on Commerce, Insurance and Economic Development at the American Legislative Exchange Council, the nation's largest, non-partisan, individual membership organization of state legislators that share a common commitment to the principles of limited government, free markets and federalism.

I understand that the goal of this panel is to provide recommendations for improving West Virginia's business climate by reforming the state tax code and that time is limited for public comment. With that in mind, I will tailor my remarks to the circumstances, but I am happy to provide additional information upon request. My remarks will focus on improving the economic efficiency of the tax code by broadening the base and lowering the rates for various state taxes, the benefits of moving away from capital based taxes in favor of consumption taxes and reforming the tangible personal property tax.

The vast majority of economic literature finds a strong relationship between lower taxes and higher rates of economic growth, with corporate income taxes and personal income taxes being the most harmful to economic growth.ⁱ In a literature review on this topic, William McBride, Chief Economist for the non-partisan Tax Foundation, finds that of 26 peer-reviewed academic studies since 1983, only 3 fail to find a negative effect on economic growth from taxes.ⁱⁱ ALEC's annual economic competitiveness index, *Rich States, Poor States*, rates state economic competitiveness on 15 equally weighted policy variables that affect economic growth. The 2015 edition, ranked West Virginia as 36th out of 50 in economic outlook—a drop of six spots from the 2014 edition. West Virginia is in competition with the rest of the states and the world to attract capital, investment and jobs.

To that end, personal income taxes are among the most damaging for economic growth.ⁱⁱⁱ Revenue neutral rate reductions can be achieved by sunseting some of the \$2.9 billion in personal income tax preferences reported in FY 2011.^{iv} Reducing the personal income tax rate would help West Virginia become more economically competitive, as pass-through entities (such as sole proprietorships and limited liability companies) would benefit from the tax relief by being able to increase production, invest in new equipment, or hire more workers. From 2003 to 2013, the nine states that do not levy a personal income tax outperformed the nine states with the highest personal income taxes in total economic growth, population growth and employment growth.^v For example, the no income tax states experienced gross state product (GSP) 31.7 percent higher than their high tax counterparts. The nine no income tax states grew employment 9.9 percent, more than double the 4.3 percent growth rate experienced by the nine highest income tax states.^{vi}

In addition to being one of the most damaging taxes to economic growth, personal income taxes are some of the most volatile sources of revenue collections. Consumption taxes, such as general sales taxes on the other hand, maintain a much greater level of revenue stability. According to the department of revenue, West Virginia (as of FY 2012) relies on personal income taxes to collect 25 percent of its total revenue, above the national average (of 22 percent). This means that 25 percent of the state's revenue comes from a very volatile source, making budget planning much more difficult than it has to be. Relying less on volatile sources of revenue in favor of more stable consumption taxes make budgeting much easier as revenues are more predictable. As of FY 2012, West Virginia relied on general sales taxes for about 18 percent of total state and local revenue, below the

national average of 23 percent. West Virginia relies on personal income taxes more than the average state and relies on general sales taxes less than the average state. This upside-down distribution of revenue collection is hampering the state's economy and makes the state's revenue collections much more volatile than would otherwise be the case.

It has been argued that relying on multiple sources for tax revenue (personal income taxes, corporate income taxes, and sales taxes) is a good strategy to help with revenue stability. Relying on all three is certainly better than relying on personal income taxes or corporate income taxes alone, but relying on the stable consumption tax base would be more stable than including a mixture of other highly volatile taxes. Broadening the sales tax base would also make this already stable tax base even less volatile and is a great mechanism to find revenue savings that can be put towards reducing the personal and corporate income tax rates.

Reducing the corporate income tax rate would also help West Virginia in becoming more economically competitive. Sunsetting various deductions and credits in the tax code is a revenue neutral method of reducing the 6.5 percent corporate income tax rate and will also make the base broader and more stable. An August, 2014 report from the Center for State Fiscal Reform on state tax preferences notes that in FY 2011 West Virginia had more than \$4.2 billion of corporate tax preferences to specific industries or businesses.^{vii} From 2003 to 2013, the eight states with the lowest corporate income tax rates outperformed the eight states with the highest corporate income tax rates in gross state product growth, employment growth, and population growth.^{viii} For example, the eight states with the lowest corporate income tax rates experienced a 12.1 percent increase in job growth, 137 percent more than the eight states with the higher corporate income tax rates, experiencing a job growth rate of just 5.1 percent. Furthermore, the eight states with the lowest corporate income tax rates had a population growth rate of 13.6 percent, almost double the population growth in the eight states with the highest corporate income tax rate, which was just more than 7 percent.^{ix}

Another factor that must be considered when discussing corporate income taxes is the distinction between incidence of taxation and burden of taxation. While corporations remit corporate income taxes, the burden of those taxes is distributed between consumers (in higher priced goods and services), shareholders (in less value), and employees (through decreased pay and/or benefits). For example, according to a study from the Department of the Treasury, a 1 percent increase in corporate tax rates is associated with almost a 1 percent drop in wages. The study also estimates at least 60 percent of the corporate income tax is passed on to workers in the form of lower wages.^x While economists have not reached a consensus on exactly what percentage of the economic burden of the corporate income tax falls on whom, policymakers should bear in mind that the tax burdens consumers and workers as well.

Another part of the tax code that is worth examining is West Virginia's tangible personal property tax. The tangible personal property tax is a tax that is levied on property that is moveable (such as business equipment). This tax exempts non-income producing property, so most individual taxpayers are not concerned with the tax, but it can still be a significant burden to businesses. Mining and manufacturing are enormous sectors of the West Virginia economy and require substantial capital investment into machinery and other types of tangible personal property. By taxing these goods, the tax code discourages capital investment which would translate into higher productivity and ultimately higher wages. Importantly, West Virginia's tangible personal property tax represents 4.78 percent of total revenue—more than double the percentage of state revenue that the average state collects with the tangible personal property tax (2.25 is average). While completely eliminating taxes on tangible personal property would be ideal, there are several reforms that can help mitigate its damaging effects on the economy. Exempting inventory of businesses and exempting new property would immediately help to minimize the economic damage of the tax, and eventually moving away from it altogether will be made easier as more equipment is replaced and therefore exempted from the tax.

In conclusion, people and capital are increasingly mobile in our modern era. People vote with their feet and take their incomes with them. West Virginia has experienced this firsthand; according to IRS income migration data, from 1992 to 2014, West Virginia has lost more than \$342 million in annual adjusted gross income (AGI) to

other states in the form of domestic migration.^{xi} Most of that amount has gone to no-income-tax Florida. Each year, from 1986 to 2014, West Virginia has lost residents to other states on net. The 2015 edition of *Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index* ranked West Virginia's economic outlook at 36th out of 50—a six spot decline from just 2014. By utilizing tax preferences as “base broadeners” to reduce top marginal rates while decreasing the reliance on personal and corporate income taxes and moving away from the tangible personal property tax, West Virginia can become much more economically competitive while its tax structure remains revenue neutral.

ⁱ Arnold, Jens, Brys, Bert, Heady, Christopher, Johansson, Åsa, SchwelInus, Cyrille, & Vartia, Laura. Tax Policy For Economic Recovery and Growth, 121 Economic Journal F59-F80 (2011).

ⁱⁱ McBride, William. “What is Evidence on Taxes and Growth?” Tax Foundation. December 18, 2012. <http://taxfoundation.org/article/what-evidence-taxes-and-growth>

ⁱⁱⁱ Arnold, Jens, Brys, Bert, Heady, Christopher, Johansson, Åsa, SchwelInus, Cyrille, & Vartia, Laura. Tax Policy For Economic Recovery and Growth, 121 Economic Journal F59-F80 (2011).

^{iv} Freeland, William, Wilterdink, Ben, and Williams, Jonathan. “Tax Cronyism: Favoritism and Foregone Growth.” American Legislative Exchange Council. August, 2014.

^v Laffer, Arthur, Moore, Stephen, and Williams, Jonathan. *Rich States, Poor States 7th Ed.* American Legislative Exchange Council. 2014.

^{vi} *Ibid.*

^{vii} Freeland, William, Wilterdink, Ben, and Williams, Jonathan. “Tax Cronyism: Favoritism and Foregone Growth.” American Legislative Exchange Council. August, 2014.

^{viii} Laffer, Arthur, Moore, Stephen, and Williams, Jonathan. *Rich States, Poor States 7th Ed.* American Legislative Exchange Council. 2014.

^{ix} *Ibid*

^x Gentry, William. “A Review of the Evidence on the Incidence of the Corporate Income Tax.” Department of the Treasury. December 2007. <http://www.treasury.gov/resource-center/tax-policy/tax-analysis/Documents/ota101.pdf>

^{xi} IRS Domestic Migration Data and U.S. Census Data via <http://www.howmoneywalks.com/irs-tax-migration/>



Michael Rowden
Legislative Director

May 13, 2015

Via Electronic Submission

The Honorable Mike Hall
Chair, Joint Select Committee on Tax Reform
Room 465M, Building 1
State Capitol Complex
Charleston, WV 25305

The Honorable Eric Nelson
Chair, Joint Select Committee on Tax Reform
Room 462M, Building 1
State Capitol Complex
Charleston, WV 25305

RE: West Virginia's Annuity Tax

Dear Senator Hall, Delegate Nelson and members of the Joint Select Committee on Tax Reform:

I am writing on behalf of the American Council of Life Insurers (ACLI), a Washington, D.C.-based trade association with 284 member companies operating in the United States and abroad. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. 238 ACLI member companies provide financial and retirement security protection to families in West Virginia. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing 94 percent of all life insurance payments and 88 percent of all annuity payments in West Virginia.

ACLI appreciates the opportunity to submit comments to the Joint Select Committee on Tax Reform as it evaluates ways to improve the state's current tax structure. We encourage the Committee to consider an outright or gradual repeal of the state's annuity tax in the interest of providing West Virginians with the same tax treatment currently afforded to citizens in the vast majority of other states, as they responsibly plan for their retirement.

Background

With the shift to defined contribution plans and increased longevity, American's are being challenged to not only save for retirement, but to make those savings last a lifetime. In fact, only thirteen percent of

workers say they are very confident they will have enough money to live comfortably throughout their retirement years.¹ An annuity can help Americans accumulate savings for retirement and convert those savings into income they cannot outlive.

An annuity is an insurance contract that offers tax-deferred savings and a choice of income options in retirement to meet an individual's or a couple's needs. Because annuities offer the option of a guaranteed income for life, they can help protect retirees against the possibility of outliving their financial resources. Eighty-seven percent of current annuity owners say that annuities are a safe and secure way to save for retirement, and make them feel secure in times of financial uncertainty.²

Annuities are popular among middle-income Americans. Sixty percent of individual annuity owners have annual household incomes below \$75,000; and more than one-third have annual household incomes below \$50,000.³ In 2013 alone, insurers paid out more than \$401 million in annuity benefits to West Virginians.⁴

Current Tax Treatment

The federal government recognizes the unique role of annuities, and defers taxing the income earned until it is paid to the annuity owner, at which point it is taxed at ordinary income rates. The current tax treatment of annuities has served as an effective savings incentive: 70 percent of individual annuity owners report that they have set aside more for retirement than they would have if the tax-deferred growth of annuities was not available.⁵

States with an income tax also tax annuity earnings at the payout stage, subject to ordinary income tax rates. However, the great majority of states do not tax the annuity premiums insurers receive from individuals. West Virginia is one of only seven states that currently impose a tax on annuity premiums (CA, FL, ME, NV, SD, WY) and one of only three states (CA, FL) which apply the tax to both qualified and non-qualified annuities. No state has implemented a new tax on annuity premiums since Pennsylvania did so in 1991 and Pennsylvania subsequently repealed that tax in 1995. The overall trend has been for states to repeal the annuity tax, recognizing the important role annuities play in the retirement security of American families.

Under the annuity tax in West Virginia, life insurers are required to pay a one percent tax on the gross amount of annuity premiums received, minus any annuity premiums returned and termination allowances provided under group annuity contracts.⁶ All revenue is deposited into the General Revenue Fund.

The Offices of the Insurance Commissioner (OIC) collected \$4.8 million in annuity tax revenue in 2013 and is currently in the process of conducting audits for 2014.

¹ Employee Benefit Research Institute, *2013 Retirement Confidence Survey*, 2013.

² Committee of Annuity Insurers, *2013 Survey of Owners of Non-Qualified Annuity Contracts*. (Conducted by The Gallup Organization and Matthew Greenwald & Associates.)

³ *Ibid.*

⁴ ACLI tabulations of National Association of Insurance Commissioners (NAIC) data, used by permission.

⁵ Committee of Annuity Insurers, *2013 Survey of Owners of Non-Qualified Annuity Contracts*. (Conducted by The Gallup Organization and Matthew Greenwald & Associates.)

⁶ WV Code §33-3-15.

Detrimental Effects of West Virginia's Tax of Annuities

The current tax treatment of annuities in West Virginia is detrimental to consumers because:

- Contributions to individual non-qualified annuities have already been taxed. These annuities are paid for with after-tax dollars.⁷ An annuity premium tax means that West Virginia citizens purchasing annuities on their own are faced with double taxation.
- For many individuals, an annuity is their primary personal retirement savings vehicle. By imposing a tax on personal retirement savings, retirees will have a more difficult time ensuring their savings last their lifetime and may be forced to rely more heavily on the government for services and support.

In addition to the burden on individual retirement savings, taxation of annuity products unfairly disadvantages life insurance companies. Life insurers operate in a fiercely competitive market with other financial institutions. Since these other financial institutions pay no product-specific tax, they have a built in cost advantage. West Virginia's tax on annuities increases the cost of conducting business and could ultimately reduce the availability of retirement security products available to consumers.

ACLI Position

ACLI opposes implementing a tax on annuity premiums. In the wake of the worst economic crisis since the Great Depression, American families have a renewed interest in ensuring they are financially prepared for retirement. Rather than discouraging responsible retirement planning with a discriminatory tax, West Virginia should be encouraging individuals to provide for their own retirement needs. Public policy should not make it more expensive for families to secure their financial and retirement security. **We ask that the Joint Select Committee on Tax Reform consider an outright or gradual repeal of West Virginia's annuity tax.**

Again, we thank you for the opportunity to participate in this important discussion and we would be glad to answer any questions you may have.

Sincerely,



Michael Rowden

⁷ Qualified annuities found in IRAs and 401(k) plans are funded with tax deferred dollars.

Q4 How would you propose the tax system in West Virginia be altered to benefit businesses?

Answered: 16 Skipped: 20

#	Responses	Date
1	Not knowledgeable to answer	10/5/2015 11:34 AM
2	Do away with B&O taxes. Do away with many needless fees. Support the development of small business with loans and tax incentives .	10/4/2015 5:19 PM
3	The annual tax on inventory has a negative influence on businesses being formed in WV.	10/4/2015 11:23 AM
4	Businesses seem to be doing just fine	10/3/2015 10:15 PM
5	business should pay the same tax.	10/3/2015 6:32 PM
6	Stop taxing inventory.	10/3/2015 4:58 PM
7	We give tax breaks to businesses to come into the state, but they don't stick around long. They need to be made to stay longer to offset taxes they didn't have to pay.	10/3/2015 3:11 PM
8	More tax brakes for small business. Make it easier to start small businesses.	10/3/2015 12:13 AM
9	Move the tax income to an offsetting percentage of sales to be reported and paid quarterly by every business that operates from within the state, including professional services offered by medical offices, law firms, engineering firms, lawn care, asphalt paving, air charter, plumbers, bookstores, then share the tax with our 55 counties with that divided based on some fair calculation related to population, geographic area, kids in school, workers employed or some other defining data or demographic. Or add a business and corporate percentage to be paid quarterly or annually to all businesses. Bar none.	10/2/2015 3:33 PM
10	Establish a single tax rate (flat tax) for all businesses regardless of profit.	10/1/2015 9:40 PM
11	a flat tax	10/1/2015 9:23 PM
12	Encourage firms who have shipped jobs overseas to relocate to WV with a short term exemption or reduction in taxes to offset start up costs and relocation	10/1/2015 8:43 PM
13	I am not versed in the business tax structure for WV, but am aware from news articles that in its current state it does repel many small businesses from locating here.	10/1/2015 7:11 AM
14	Some type of tiered tax benefit that would incentives business to come here and then the benefit would taper off over time.	10/1/2015 6:54 AM
15	lower taxes on small businesses. With the increase of the minimum wage it has really caused a hardship on striving for profitability.	9/30/2015 2:23 PM
16	Simplify the tax system, ensure competitive rates with nearby states. Provide tax benefits for new investment / new jobs.	9/30/2015 1:30 PM

Q6 How would you propose the tax system in West Virginia be altered to benefit education?

Answered: 14 Skipped: 22

#	Responses	Date
1	Reduce spending and building new schools	10/5/2015 11:34 AM
2	No more taxes for schools. No financial support of Common Core education.	10/4/2015 5:19 PM
3	Simplify the taxes for education so that local districts don't have to beg for money through levies and excess levies every few years to stay in operation with decent facilities, and risk being shot down because some hotheaded activist groups start screaming about inefficiency and the terrible schools and so forth.	10/4/2015 11:23 AM
4	Again why are we paying school bond tax, school levies, etc. Where does this money go?	10/3/2015 10:15 PM
5	Education is critical, however seniors should be exonerated from ed tax after the age of 65.	10/3/2015 6:32 PM
6	Cut way back at the DOE in Charleston.	10/3/2015 4:58 PM
7	More equal for each county.	10/3/2015 3:11 PM
8	Make college cheaper for families to send kids to college.	10/3/2015 12:13 AM
9	Reduce the number of WV Board of Education leadership employees. Get rid of Common Core and its contracted beneficiaries. Convert all school buses to CNG with CNG refilling facilities at each county's bus garages.	10/2/2015 3:33 PM
10	a flat tax	10/1/2015 9:23 PM
11	The county levy system is a poor way to add funds to education. Also WVU receives a disproportionate amount of funding compared to other institutions that cannot obtain research funds. Add a small tax to cable TV and cell phone service to help fund education	10/1/2015 8:43 PM
12	Education would benefit by eliminating the highly paid positions at BOE offices from the state to local levels. Experts for each grade that can not step into a classroom and effectively teach are a waste of money that could be paid to actual classroom teachers. Vouchers should be available for residents to send their children to private schools that actually provide education in a safe environment. We choose private education/home-school due to the over acceptance of violent behavior, underfunded classrooms, lack of teachers (low pay), acceptance of low test scores, time wasted on bureaucratic busywork, etc. We do not feel that an average of 45% on reading or math testing is an acceptable average for education.	10/1/2015 7:11 AM
13	Send correct amount of allocations to the Eastern Panhandle.	9/30/2015 2:23 PM
14	Create an education trust fund to ensure consistent funding levels over time.	9/30/2015 1:30 PM

Q3 How would you propose the tax system in West Virginia be altered to benefit individuals?

Answered: 16 Skipped: 20

#	Responses	Date
1	Simplify taxes. More credit to married and with children,	10/5/2015 11:34 AM
2	Flat tax with no deductions other than charitable contributions.	10/4/2015 5:19 PM
3	Simplify the language in the state constitution on property taxes.	10/4/2015 11:23 AM
4	The school taxes should only be for people with children in school. I paid for my child and now that he has graduated high school and college, I gotta pay for others children.	10/3/2015 10:15 PM
5	to benefit all individuals it should be equal for all - not high for some and low for others.	10/3/2015 6:32 PM
6	Focus on consumption taxes. It's fair. The people who have the most money consume the most.	10/3/2015 4:58 PM
7	Flat tax	10/3/2015 3:11 PM
8	Higher Income for jobs and more jobs.	10/3/2015 12:13 AM
9	Parents with school age children would get a specific tax credit against their county school tax assessment or off their income tax. Same for college students that are in college.	10/2/2015 3:33 PM
10	Establish a single tax rate (flat tax) for all working individuals regardless of income.	10/1/2015 9:40 PM
11	a flat tax	10/1/2015 9:23 PM
12	While we want to be business friendly that does not mean that they are not obligated to be good citizens. A fair but realistic tax on business and particularly those already getting federal subsidy.	10/1/2015 8:43 PM
13	Make the system less cumbersome and easier to understand.	10/1/2015 7:11 AM
14	It would be nice if the folks who paid in were the recipients of services. Like roads, parks, snow removal etc.	10/1/2015 6:54 AM
15	Tax reassessment for middle class	9/30/2015 2:23 PM
16	Less reliance on property taxes, reduction in sales taxes, higher income tax rates on higher income individuals. Eliminate personal property (e.g. car) taxes	9/30/2015 1:30 PM

Q5 How would you propose the tax system in West Virginia be altered to benefit infrastructure?

Answered: 14 Skipped: 22

#	Responses	Date
1	Stop wasting tax money on infrastructure that does not need work and spend it on areas that need work. (Ex. Constant replacing of I -81)	10/5/2015 11:34 AM
2	Tolls to out of state residents and businesses using our share of the interstate highway system. Use of all gasoline and diesel taxes for highway and bridge infrastructure.	10/4/2015 5:19 PM
3	Tax trucks more. They do a lot more damage to highways.	10/4/2015 11:23 AM
4	Benefit the infrastructure - because of so many un-safe actions that hurt the citizens, there should be an enormous tax penalty to those businesses - they should NOT be allowed bankruptcy protection.	10/3/2015 6:32 PM
5	Infrastructure is an appropriate investment. Cut the waste and levels of bureaucracy to free up funds.	10/3/2015 4:58 PM
6	Up tax on alcohol. Do more about those that live or move into wv but don't pay wv taxes.	10/3/2015 3:11 PM
7	Not sure sorry	10/3/2015 12:13 AM
8	Worry about making the taxation of all businesses fair first then worry about infrastructure next year.	10/2/2015 3:33 PM
9	Unless there isn't sufficient tax revenue, alteration to the tax system might not be beneficial to infrastructure.	10/1/2015 9:40 PM
10	a flat tax	10/1/2015 9:23 PM
11	Again raising the gas tax is harder on our poorest citizens. Perhaps instead raise the car inspection to \$20 and add a yearly fee with registrations to help fund road repairs	10/1/2015 8:43 PM
12	I	10/1/2015 8:18 PM
13	N/A	10/1/2015 6:54 AM
14	Provide direct, committed funding through taxes into appropriate dedicated trust funds.	9/30/2015 1:30 PM

Q7 What other areas do you think could be benefitted through tax reform, and how?

Answered: 13 Skipped: 23

#	Responses	Date
1	Look into all areas for waste and fraud	10/5/2015 11:34 AM
2	What other areas do I think could benefit from tax reform? More closely regulate what deals local economic development authorities cut with companies seeking to relocate. Or at least study these deals to see how they turned out for the taxpayers. The two large companies that went bankrupt in Berkeley County in the last decade probably left a lot on the table in terms of taxes not paid.	10/4/2015 11:23 AM
3	Anything that is being put forward as a tax should be for the public to vote on.	10/3/2015 10:15 PM
4	there are so many things that have tax attached - it would be nice if we paid ONE TAX each year and then we could survive a lot easier.	10/3/2015 6:32 PM
5	The gas tax is too high and no one can point to pristine road conditions to justify it.	10/3/2015 4:58 PM
6	Maybe state, county and city that own alot of property need to pay something. Either get rid of unused property and get it back on the tax books or use it.	10/3/2015 3:11 PM
7	Dont make taxes high for middle class families. And higher for people make more money	10/3/2015 12:13 AM
8	Get rid of the annual \$125 fee (TAX) for WV businesses that is required of state businesses to sell to state government. This is truly robbery by the state of the very businesses that are the lifeblood for its citizens. I do business in 49 states, often to state governments, and I'm not held hostage to collect such fees. I'm boycotting WV purchasing for this very reason. Take the money wasted on routers, OASIS, Jim Justice, race tracks and give it to the purchasing department. Drop the \$125.	10/2/2015 3:33 PM
9	There are only two parties involved here. The taxpayer and the state. When tax codes are used to bring benefit to any particular party, others are most often negatively affected. The tax code must first and foremost be fair to all.	10/1/2015 9:40 PM
10	attract more business to start up and create jobs , also a flat tax more take home pay is more spending	10/1/2015 9:23 PM
11	Most people do not mind paying taxes if they feel there is value in doing so. Make the public more aware of how state dollars are spent and keep state agencies accountable to spend on projects that create a better WV.	10/1/2015 8:43 PM
12	County real estate taxes - lower.	9/30/2015 2:23 PM
13	Consider the cost of tax collection (government, business, individuals) and eliminate unnecessary bureaucracy. For example, the personal property tax costs a lot to implement relative to its benefits.	9/30/2015 1:30 PM

Q2 What is your biggest concern regarding taxes in West Virginia?

Answered: 33 Skipped: 33

#	Responses	Date
1	How they stunt economic growth	10/13/2015 8:57 AM
2	They get too big	10/13/2015 8:37 AM
3	Reform for current structure that penalizes retirees and veterans. Also, extremely important , employees of WV Tax Dept. know their jobs. Both my husband and I paid all taxes due to WV for 2014. Received registered letters, for both, stating we owed WV, just what we paid. Took 5 letters for my husband to prove to the state he paid all taxes, and I am still corresponding with the state on my taxes. This is not right. Neither should have received any mail from the WV Tax Dept. How much is spent on mail costs? Employee time, materials, etc. Each registered mail to both of us cost WV \$3.90 mail costs. The WV employee I spoke to, who had reviewed our taxes, told me on the phone he didn't know where in the State system to find our 1099R's (we are retired federal), then said he found them, then turned around and sent me a letter requesting I submit my W2, after telling him I don't receive a W2. After sending letter after letter, with documentation showing what we paid for 2014, people at the WV Tax Dept. apparently don't take the time to read the entire correspondence to see the proof of taxes paid. Something has to be done about the WV Tax Dept. lack of hiring responsible people who can do their jobs.	10/10/2015 4:57 PM
4	Coal companies and other large businesses are getting away with tax rates that aren't much higher than the average worker. People break their backs every day to put food on the table for their families while big business catches break after break.	10/8/2015 4:34 PM
5	That we are getting a large growth in population and worry about the disability, food stamp and welfare programs impact.	10/8/2015 9:03 AM
6	That we don't tax enough to have community centers and activities for the youth in our county. So many residents are concerned with how much their taxes are, that they forget that that taxes pay for resources such as education and enrichment. The lack of these things is contributing to a huge heroin epidemic in this area and a largely uneducated group of citizens.	10/8/2015 4:59 AM
7	State income tax	10/7/2015 10:10 PM
8	What taxes are being spent on. For example, unnecessary luxuries and amenities for those who are beneficiaries from state taxes.	10/7/2015 6:18 PM
9	How they are spent	10/7/2015 4:09 PM
10	Overtaxed	10/7/2015 3:58 PM
11	Taxes continue to increase and new taxes (rain)	10/7/2015 1:20 PM
12	No water tax.	10/7/2015 1:00 PM
13	The sales tax needs to be lowered, there needs to be a better state income tax, the one we have now is unfair to all West Virginians, we also need to abolish the personal property tax. The personal property tax is illegal in my eyes because you are taxed over and over again for something that you had paid tax on when you originally purchased it.	10/7/2015 12:07 PM
14	Double tax on investment real estate	10/7/2015 6:17 AM
15	That we consider taxes without regard to spending. Tax reform should not be considered in respect to raising adequate or additional revenue to meet spending. Spending should be adjusted to match responsible tax revenue.	10/5/2015 9:38 PM
16	Far too many different taxes that add up to way too much. Fire tax, ambulance tax, dog tax, tax my car, my boat, my land my house. Now you want a rain tax. Next you will tax the air I breathe!	10/5/2015 6:16 PM
17	Gas is higher here than anywhere else around and I'm told it's because our taxes are higher. If u can go to Hagerstown or Winchester and save between twenty and forty cents a gallon people are doing it and WV dollars are being spent in surrounding states everyday when WV could do something to keep that money at home.	10/5/2015 5:00 PM
18	Simplify income taxes, taxes are increasing too much every year. Look at fraud and waste within the system (welfare and earned income credits, unemployment)	10/5/2015 11:34 AM
19	Continued increase. Wasteful use of tax dollars. Taxing retired military retired pay at any level.	10/4/2015 5:19 PM

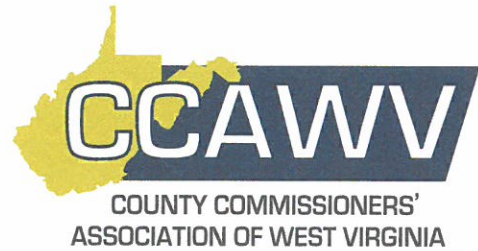
20	The state constitution regarding the tax rates for various kinds of property is not terribly clear unless you're a lawyer. I can't get a straight answer on what my taxes would be if I wasn't classified as a farm.	10/4/2015 11:23 AM
21	They are getting outrageously high! We are being taxed so much pertaining to schools and no improvement in school system being shown.	10/3/2015 10:15 PM
22	That all our 55 county assessors recognize and follow the laws - especially taxing twice! HOA Common Area is part of the members' property of which they pay to maintain. Their individual homes are taxed. Since 2012 the state tax commissioner finally sent guidelines to the 55 counties, sadly the county assessor acts like "if we don't tell them then it's money in our pocket" HOAs need representation, they are hanging on the fringes.	10/3/2015 6:32 PM
23	Income tax is too high	10/3/2015 4:58 PM
24	Gasoline tax. I can go across state line, which I often do, and purchase gasoline due to being alot cheaper.	10/3/2015 3:11 PM
25	Too high taxes. Income not high enough for taxes. Seems like since alot people from MD moved here everything higher	10/3/2015 12:13 AM
26	Inventory Tax. Deeply favors the dishonest business tax payer over the honest tax payer. No accountability by by the county or state. Under reporting is rampant because there's no way to confirm numbers reported. 70% of county taxes rides solely on the back of honest businesses and business men. Unfair, seasonal inequalities, promotes dishonesty in the business place.	10/2/2015 3:33 PM
27	Complexity of the rules.	10/1/2015 9:40 PM
28	seniors and the homestead act raise deductible . and retirement income should be tax free like florida and pa	10/1/2015 9:23 PM
29	Given the high rate of poverty in this Sate a sales tax has a large impact on the poor. If we are to keep a sales tax then raise the minimum income to a level where a single person making less than 25k doesn't pay taxes, a family of 3 35k cap and a family of 4 43k We also have horribly low teachers salaries and then tax them on top of this. Perhaps a tax waiver for teachers and those who protects us (city and county police for example)	10/1/2015 8:43 PM
30	Waste of the money currently collected leading to increased taxes to support even more waste.	10/1/2015 7:11 AM
31	Where the tax revenues are being spent.	10/1/2015 6:54 AM
32	High tax on the middle class	9/30/2015 2:23 PM
33	Regressive taxes with undue impact on low income residents.	9/30/2015 1:30 PM

Q4 How would you propose the tax system in West Virginia be altered to benefit businesses?

Answered: 28 Skipped: 38

#	Responses	Date
1	Have a flat tax for business that earn over 500,000.	10/13/2015 8:57 AM
2	Lower them	10/13/2015 8:37 AM
3	I would like to see more assistance to businesses in an attempt to bring more technical, high paying jobs to the state. It is important to build up a commercial base to the state.	10/12/2015 11:06 PM
4	I don't know. Hope WV Dept. of Tax know what they are doing.	10/10/2015 4:57 PM
5	lowering taxes on small business. Small business incentives could also be helpful, similar to the system in New York, where small businesses pay small amounts in taxes for the first few years.	10/8/2015 4:34 PM
6	Give employers incentives to hire more employees without being eaten alive through taxes!!	10/8/2015 9:03 AM
7	Tax breaks for small businesses, close loopholes for the larger corporations.	10/8/2015 4:59 AM
8	Incentives to businesses deemed as supportive for attracting decent customers to the area. Meanwhile, raise taxes and gouge businesses which attract less attractive crowds to our state such as strip bars, pawn shops, any type of gambling etc.	10/7/2015 6:18 PM
9	Don't really care as long as all businesses are paying a fair share to help support the communities in which they operate.	10/7/2015 4:09 PM
10	Businesses should pay their fair share	10/7/2015 3:58 PM
11	It has been proven over and over again that if you make it easier on businesses to do business they will come to our state, there will be more jobs, hence more tax payers, more income to the WV Treasury just by decreasing business taxes and removing fees.	10/7/2015 12:07 PM
12	Business growth is the most effective economic engine available. Home rule incentives to lessen the gross receipts taxes should be expanded to counties and Mir cities.	10/5/2015 9:38 PM
13	Not knowledgeable to answer	10/5/2015 11:34 AM
14	Do away with B&O taxes. Do away with many needless fees. Support the development of small business with loans and tax incentives .	10/4/2015 5:19 PM
15	The annual tax on inventory has a negative influence on businesses being formed in WV.	10/4/2015 11:23 AM
16	Businesses seem to be doing just fine	10/3/2015 10:15 PM
17	business should pay the same tax.	10/3/2015 6:32 PM
18	Stop taxing inventory.	10/3/2015 4:58 PM
19	We give tax breaks to businesses to come into the state, but they don't stick around long. They need to be made to stay longer to offset taxes they didn't have to pay.	10/3/2015 3:11 PM
20	More tax brakes for small business. Make it easier to start small businesses.	10/3/2015 12:13 AM
21	Move the tax income to an offsetting percentage of sales to be reported and paid quarterly by every business that operates from within the state, including professional services offered by medical offices, law firms, engineering firms, lawn care, asphalt paying, air charter, plumbers, bookstores, then share the tax with our 55 counties with that divided based on some fair calculation related to population, geographic area, kids in school, workers employed or some other defining data or demographic. Or add a business and corporate percentage to be paid quarterly or annually to all businesses. Bar none.	10/2/2015 3:33 PM
22	Establish a single tax rate (flat tax) for all businesses regardless of profit.	10/1/2015 9:40 PM
23	a flat tax	10/1/2015 9:23 PM

24	Encourage firms who have shipped jobs overseas to relocate to WV with a short term exemption or reduction in taxes to offset start up costs and relocation	10/1/2015 8:43 PM
25	I am not versed in the business tax structure for WV, but am aware from news articles that in its current state it does repel many small businesses from locating here.	10/1/2015 7:11 AM
26	Some type of tiered tax benefit that would incentives business to come here and then the benefit would taper off over time.	10/1/2015 6:54 AM
27	lower taxes on small businesses. With the increase of the minimum wage it has really caused a hardship on striving for profitability.	9/30/2015 2:23 PM
28	Simplify the tax system, ensure competitive rates with nearby states. Provide tax benefits for new investment / new jobs.	9/30/2015 1:30 PM



Remarks to the Joint Select Committee on Tax Reform

Public Hearing October 20, 2015

Honorable Members,

I am Jack David Woodrum a Summers County Commissioner. I appear before you today in my capacity as Board member and Chairman of the County Commissioners' Association of West Virginia Legislative Committee.

The County Commissioners' Association of West Virginia applauds the efforts of the Joint Select Committee on Tax Reform to review the entire tax structure of West Virginia and look for better ways to provide the services the citizens of West Virginia need. Through this effort it has once again been pointed out that West Virginia's property tax rates are among the lowest in the nation.

As you are aware, property taxes are the foundation of local county budgets. Due not only to the low rates, but the more recent loss of economic base, especially in West Virginia's coalfields, the struggle for balanced county budgets has intensified. As coal operations continue to close their doors, jobs are lost, coal severance taxes dwindle, and property tax collections fall.

This compounds the loss of tax revenue and doubles the impact on county government services and the citizens we represent. Our ability to provide important local services is jeopardized. County Commissioners are the chief financial officers of the county. County Government provides a broad range of services. County governments are the stewards of vital record keeping - births, deaths, property transfers, property assessment, taxation collections, estates and court proceedings. In addition, we provide public safety services, Law Enforcement, fire and emergency medical services, other emergency response teams as well as drug treatments facilities in some counties. Commissions strive to provide amenities such as clean water, sanitary sewer systems, landfills and waste disposal services as well as county recreation facilities. Decreasing revenues make providing these services more difficult on a daily basis.

Without resources, the ability to maintain care of our citizens' needs is critically compromised. We are unable to provide additional quality of life services that will attract new economic development and new industries. We cannot rebuild and diversify our State economy without a better plan and a renewed effort to educate and retain our youth to provide the workforce necessary for future economic development in West Virginia.

We understand no formal recommendations have yet been made, but we implore the joint committee to remember that all government starts at the local level. We ask that balanced county budgets remain an integral part of the decisions you ultimately make.

Please know that the County Commissioners' Association of West Virginia stands ready to work with you to keep West Virginia a healthy, livable, prosperous, and well governed state.

Coal Purchases by WV Electricity Generation Facilities, 2014 (Preliminary)

<i>Total Coal Purchased by WV Power Plants</i>	<i>(Tons)</i>	26,259,943	WV Coal / Total Coal
<i>Total WV Coal Purchased by WV Power Plants</i>	<i>(Tons)</i>	16,671,678	63%

WV Power Plant Coal Purchases by Origin State

Plant	<i>Coal Purchased</i>		<i>Total Coal Purchased (Tons)</i>	<i>Percent WV Coal</i>
	<i>Origin State</i>	<i>(Tons)</i>		
Kammer	West Virginia	146,624	256,715	57%
	Pennsylvania	93,055		
	Ohio	11,731		
	Kentucky	5305		
Kanawha River	West Virginia	545,537	555,099	98%
	Kentucky	9,562		
Philip Sporn	West Virginia	443,244	537,023	83%
	Kentucky	93,779		
John Amos	West Virginia	2,585,283	4,601,061	56%
	Kentucky	451,387		
	Ohio	1,526,332		
	Pennsylvania	38,059		
Fort Martin	West Virginia	2,400,827	2,893,326	85%
	Kentucky	115,519		
	Ohio	14,185		
Harrison	West Virginia	2,792,287	2,792,287	100%
	Kentucky	675,818		
Mt. Storm	West Virginia	642,369	3,802,865	17%
	Maryland	2,021,142		
	Pennsylvania	1,139,354		

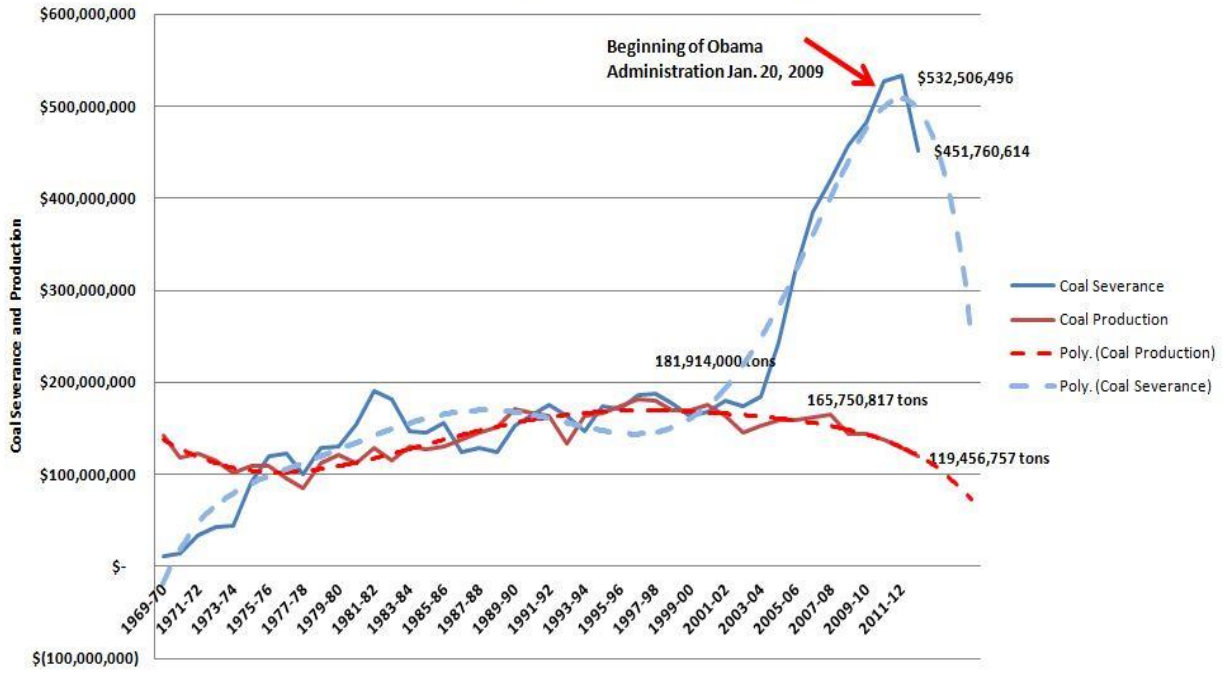
Pleasants	West Virginia Kentucky Ohio	553,524 53,601 3,034,838	3,641,963	15%
Mountaineer	West Virginia Kentucky Ohio Pennsylvania	2,039,568 8,674 1,155,930 75,007	3,279,179	62%
Grant Town	West Virginia	461,269	461,269	100%
Morgantown	West Virginia	412,739	412,739	100%
Ceredo	West Virginia Illinois Kentucky Pennsylvania	712,797 143,662 524,162 737,177	2,117,798	34%
PPG Natrium	West Virginia Ohio	338,094 89,478	427,572	79%

Total West Virginia Coal Production 2014: 122,630,508 Tons

Sources: Form EIA-923, "Power Plant Operations Reports," 2014
WV Division of Miner's Health and Safety – 2014 Coal Production

The first three power plants listed in the chart above are scheduled for closure. Since the last update three plants have been closed. These plants' purchases of West Virginia coal equated to around 13% of the total coal production for West Virginia in 2014. Collectively, all power plants in West Virginia purchased 37% of their coal from other sources including Pennsylvania, Kentucky, Illinois, Maryland, and Ohio with 63% being purchased from West Virginia Alone.

Coal Severance and Production 1970-2013



Good morning.

I am Dale Lee, president of the West Virginia Education Association, and I thank you for the opportunity to address the important issue of tax reform.

The Joint Select Committee on Tax Reform has taken an extensive look at state taxes in recent months.

We advocate for a fairer, more simplified tax system. Lawmakers have stated their desire to create an environment that's intended to draw more business to West Virginia and keep the businesses already here in the state.

On behalf of WVEA, I am here to ask you to remember ALL your constituents in your consideration of tax reform.

Think about the middle school student who's already working hard to become the first person in her immediate family to go to college. She needs all the support and resources we can give her.

Remember the high school algebra teacher with 37 students in his classroom, which weakens his ability to offer students one-on-one attention.

And remember the everyday West Virginia worker who wakes up early – pulling on his boots or throwing on her nursing scrubs -- then drives many miles on our back roads to get to work.

Investments in our children and their health, as well as in our teachers, workers and our highways are key to building a stronger West Virginia.

By paying our teachers a competitive salary, by keeping our class sizes small and by adequately maintaining our roads and bridges, we will make positive strides in growing our state's economy.

Businesses want to set up shop where they have an available, well-educated workforce, as well as suppliers and customers. They are attracted by good schools and highways and should want to be good corporate citizens of our state.

It is also important not to increase the tax burden on working families with low and middle incomes. The state's upside-down tax structure already asks them to pay a greater percentage of their hard-earned income in taxes.

Any new tax proposals should also include accountability measures that let us know whether tax breaks or credits are achieving the results intended.

Just like we hold our schools accountable.

The recent news about the unprecedented drop in revenue from severance taxes – and the latest round of spending cuts to schools and state agencies – undoubtedly puts West Virginia in a tough position.

You face the unenviable task of balancing interests with needs during very difficult budget years.

As Secretary Kiss requested during one of your earliest meetings in May, we would also ask that you “DO NOT divorce the state budget from your deliberations on tax reform.”

New tax proposals should include alternative sources of revenue to help with the urgent needs of our roads, public education, children and seniors.

For instance, a hike on cigarette taxes and other tobacco products is a no-brainer. It will provide a much-needed revenue boost at a time when we’re in dire need of one - - but will also help to improve the health of our citizens.

Speaking of health, PLEASE remember the state employees who are already facing drastic benefit cuts to their health insurance. Even PEIA Finance Board members referred to the proposed cuts as “draconian.” How are we going to recruit or retain highly qualified teachers and public employees if we keep their salaries low and continue to weaken their health insurance benefits?

I can think of no other employer who provides health insurance to their employees and has gotten by for FIVE YEARS without contributing any new money for health care costs.

Finally, we urge CAUTION and a careful consideration of “the State of our State” before taking aggressive actions that could dig a deeper hole, which would be difficult to escape.

Thank you.

Q6 How would you propose the tax system in West Virginia be altered to benefit education?

Answered: 30 Skipped: 36

#	Responses	Date
1	same as number 5. the money is already there it is just wasted on other things. the biggest problems with education is the union contracts.	10/13/2015 8:57 AM
2	Reduce them	10/13/2015 8:37 AM
3	Discontinue the centralized governing of the state educational system send more of the taxes to the local school boards as they can make better decisions with the money since they are directly associated with the students.	10/12/2015 11:06 PM
4	WV to be fair and equal in distribution of funding to schools. Berkeley County was robbed this past year, or years, on monies they should have received. It is not fair to Seniors, after raising their families, to be required to provide funds, through their taxes, for education benefits. Only families who have children currently in education should be liable for taxes that benefit education.	10/10/2015 4:57 PM
5	A strong public school system is also crucial to our quality of life. We should encourage more technical options for non-college bound high school students. Increasing funding all around is always helpful.	10/8/2015 4:34 PM
6	Reduce administrative costs with having computer and paper trail expenditures!! Raise teacher salaries!	10/8/2015 9:03 AM
7	Actually use it on education. We rank last in teacher pay and academics. In proud that our state offers universal pre-k, but we can't attract better teachers with the pay that's offered in this state.	10/8/2015 4:59 AM
8	Demand more of our money back from Charleston.	10/7/2015 10:10 PM
9	Transfer funds collected from my proposed price gouge on morally bad businesses and use it on higher wages for teachers, better quality food at public schools so students have more motivation to stay in school, and improve our West Virginia history curriculum geared in a manner that will encourage students to want to stay in the state after graduating from High School and/or college. Thus flushing out the bad and using resources acquired for good.	10/7/2015 6:18 PM
10	Same as for infrastructure, prioritize above non-essential spending.	10/7/2015 4:09 PM
11	I would be all for a sales tax increase and get rid of property tax. Since only those who own property are footing most of the tax burden (about 80 percent of property tax) for the schools. So many reap benefit and have little to no obligation to pay.	10/7/2015 1:20 PM
12	Less waste	10/7/2015 1:00 PM
13	The school system needs to be controlled locally, the property taxes we currently pay should suffice for education. Let the parents have more of a say and volunteer if need be to control costs.	10/7/2015 12:07 PM
14	More to education	10/7/2015 6:17 AM
15	Decentralize education spending, coupled with greater local control of tax dollar expenditures.	10/5/2015 9:38 PM
16	education keeps getting more and more tax dollars yet laying off teachers. Start the lay offs at the top and save some real money	10/5/2015 6:16 PM
17	Reduce spending and building new schools	10/5/2015 11:34 AM
18	No more taxes for schools. No financial support of Common Core education.	10/4/2015 5:19 PM
19	Simplify the taxes for education so that local districts don't have to beg for money through levies and excess levies every few years to stay in operation with decent facilities, and risk being shot down because some hotheaded activist groups start screaming about inefficiency and the terrible schools and so forth.	10/4/2015 11:23 AM
20	Again why are we paying school bond tax, school levies, etc. Where does this money go?	10/3/2015 10:15 PM
21	Education is critical, however seniors should be exonerated from ed tax after the age of 65.	10/3/2015 6:32 PM
22	Cut way back at the DOE in Charleston.	10/3/2015 4:58 PM
23	More equal for each county.	10/3/2015 3:11 PM

24	Make college cheaper for families to send kids to college.	10/3/2015 12:13 AM
25	Reduce the number of WV Board of Education leadership employees. Get rid of Common Core and its contracted beneficiaries. Convert all school buses to CNG with CNG refilling facilities at each county's bus garages.	10/2/2015 3:33 PM
26	a flat tax	10/1/2015 9:23 PM
27	The county levy system is a poor way to add funds to education. Also WVU receives a disproportionate amount of funding compared to other institutions that cannot obtain research funds. Add a small tax to cable TV and cell phone service to help fund education	10/1/2015 8:43 PM
28	Education would benefit by eliminating the highly paid positions at BOE offices from the state to local levels. Experts for each grade that can not step into a classroom and effectively teach are a waste of money that could be paid to actual classroom teachers. Vouchers should be available for residents to send their children to private schools that actually provide education in a safe environment. We choose private education/home-school due to the over acceptance of violent behavior, underfunded classrooms, lack of teachers (low pay), acceptance of low test scores, time wasted on bureaucratic busywork, etc. We do not feel that an average of 45% on reading or math testing is an acceptable average for education.	10/1/2015 7:11 AM
29	Send correct amount of allocations to the Eastern Panhandle.	9/30/2015 2:23 PM
30	Create an education trust fund to ensure consistent funding levels over time.	9/30/2015 1:30 PM

West Virginia Forestry Association

P.O. Box 718 Ripley, WV 25271 Phone: 304-372-1955 Email: wvfa@wvfa.org

West Virginia's timber severance tax, like the property tax, is value-based as opposed to the taxes imposed on mineral extraction, which are volume-based. The last sentence of the forestry amendment to the Constitution would seem to indicate that the aggregate of these two value-based taxes on the same resource should be limited, that consideration has been overlooked.

Around 1985, West Virginia's gross proceeds tax or B&O tax was eliminated for most businesses. However, the tax on timber continued but is now known as a severance tax. In 1994, proceeds of the tax were dedicated to the Division of Forestry. The rate of tax was 3.22% until December 31, 2006. On December 1, 2005, an additional severance tax was imposed; dedicated to the retirement of the Workers Compensation Fund debt at a rate of 2.78%. That brought the total combined severance tax to 6%. Beginning in January of 2007, the rate of the original tax was reduced to 1.22% bringing the combined rate down to 4%. Beginning with the 2010 tax year, the old tax was discontinued until the new tax expires upon determination that the workers compensation fund debt has been paid or provided for. From that time to the present, the rate of tax is 2.78% when the new tax expires the old tax will be reinstated at a rate of 1.22%. It is noteworthy that the "old tax" has not been collected since 2009.

The Moss and Arano study I referred to earlier concluded that the West Virginia Severance Tax on timber is a major anti-competitive factor for the wood products industry. As Dr. Robin Capehart pointed out in a March 2007, article entitled "Why Does State Take Timber to the Woodshed? "...we also should look at the fairness of the tax. Timber companies pay income taxes, fuel taxes, property taxes and all of the other taxes imposed on businesses. Why are they singled out for an additional burden – the severance tax?" The study mentioned earlier goes on to report that "West Virginia is the only state in the central or southern Appalachians to levy a yield tax based on the value of timber production." The Report of the West Virginia Tax Modernization Project makes a different comparison stating that, "West Virginia imposes the highest Timber Severance tax per 1,000 board feet of production of any state east of the Mississippi River."

Our 44 rural counties depend greatly upon the husbanding, harvesting and processing of natural resources for their economic livelihood. Timber, wood and agricultural products are mainstays of this part of West Virginia's economy. Many of the enterprises directly and indirectly involved are relatively small and the loss or addition of one of them is hardly noteworthy in and of itself. Nonetheless, the gain or loss of a few of these jobs in each county is the cumulative economic equivalent of winning a major new employer or losing a government installation in an urban community.

Rarely would a legislative or executive policy "wipe out" an entire industry or a community. Economic impacts are broadly acknowledged to occur at the margins – where a family-operated business or a small enterprise may succeed or fail depending on the amount of rain that falls or a few-dollar fluctuation in the price of a commodity. It is at the margins that public policy impacts are significantly felt; those activities that stand at the brink of failure can be pushed over the edge by an ill-conceived tax structure or regulations that take resources off the market or impose new costs on production. Policies that negatively impact rural enterprises, even though they are small, add to the population of uninsured, increase the rolls of unemployment and reduce local revenues.

Wood-based enterprises in WV must compete for markets in surrounding states because we simply do not have the population to support in-state markets, and to do so we must overcome high fuel costs due to difficult terrain, long-haul distances to processors and higher taxes than competitors in other states pay.

We make no judgment about the fundamental appropriateness of severance tax per se. As a general observation, the possessor of minerals needs to make no effort to create or husband the resource and the act of extraction is a one-time undertaking. In the case of timber, the opposite is true. Creating the resource to be harvested requires decades of husbandry and risk of loss, and a series of annual property taxes. Timber harvests, rather than being a one-time occurrence are an unending series of events repeatedly subjected to taxation. Severance tax applied to the harvest of tree crops is, in reality, a yield tax on the fruits of the landowner's labor.

We are hopeful that action can be taken in this coming legislative session so that when the additional severance tax expires, the suspension of the old severance tax that has not been collected since 2009 can be made permanent, before it is automatically reinstated. - *Roger Sherman*

Frank Stewart
Executive Director

Q3 How would you propose the tax system in West Virginia be altered to benefit individuals?

Answered: 32 Skipped: 34

#	Responses	Date
1	fair tax supplemented with a value added tax. no progressive tax.	10/13/2015 8:57 AM
2	Lower them	10/13/2015 8:37 AM
3	Lower taxes on individuals. Bringing more businesses into the state and create a commercial base that would fill in where individual taxes stop.	10/12/2015 11:06 PM
4	No tax on retirees, low or no tax on Seniors and those at poverty levels. The poverty level must be raised, as at the current level, it is to low.	10/10/2015 4:57 PM
5	Lower taxes on people who work 30+ hours a week, make up the difference in higher tax rates for big coal and big business.	10/8/2015 4:34 PM
6	Do a tax based on income across the board.	10/8/2015 9:03 AM
7	Ensure that my taxes are spent on what's needed in this county- libraries, community and recreating centers, education, and teachers' pay.	10/8/2015 4:59 AM
8	Allow some basic deductions like federal	10/7/2015 10:10 PM
9	Use our prisoners to pick up our trash on the sides of the roads. More funding to state and county police.	10/7/2015 6:18 PM
10	Public goods such as infrastructure and education need to be the priority for how our taxes are spent. No real issues on the payment/ filing end for me except it could be easier.	10/7/2015 4:09 PM
11	More money going to schools, less to welfare programs	10/7/2015 3:58 PM
12	Make taxes easier.	10/7/2015 1:00 PM
13	There should be a flat tax across the board so people can have a better idea on how much they will owe. The income tax penalizes hard working people.	10/7/2015 12:07 PM
14	Lower real estate tax	10/7/2015 6:17 AM
15	Every resident should have some "skin in the game." Traditional thinking would point to a consumption tax, but with a majority of our citizens living minutes away from a neighboring state, that is not a viable option. Income tax should be flat and fair to all income levels.	10/5/2015 9:38 PM
16	first and foremost public accounting of where the funds are going. I pay far too much and feel as though I reap no benefits. WV is dirty and not well maintained, roads are not cleared in winter, schools are poor and medical care is pathetic	10/5/2015 6:16 PM
17	Simplify taxes. More credit to married and with children,	10/5/2015 11:34 AM
18	Flat tax with no deductions other than charitable contributions.	10/4/2015 5:19 PM
19	Simplify the language in the state constitution on property taxes.	10/4/2015 11:23 AM
20	The school taxes should only be for people with children in school. I paid for my child and now that he has graduated high school and college, I gotta pay for others children.	10/3/2015 10:15 PM
21	to benefit all individuals it should be equal for all - not high for some and low for others.	10/3/2015 6:32 PM
22	Focus on consumption taxes. It's fair. The people who have the most money consume the most.	10/3/2015 4:58 PM
23	Flat tax	10/3/2015 3:11 PM
24	Higher Income for jobs and more jobs.	10/3/2015 12:13 AM
25	Parents with school age children would get a specific tax credit against their county school tax assessment or off their income tax. Same for college students that are in college.	10/2/2015 3:33 PM
26	Establish a single tax rate (flat tax) for all working individuals regardless of income.	10/1/2015 9:40 PM

27	a flat tax	10/1/2015 9:23 PM
28	While we want to be business friendly that does not mean that they are not obligated to be good citizens. A fair but realistic tax on business and particularly those already getting federal subsidy.	10/1/2015 8:43 PM
29	Make the system less cumbersome and easier to understand.	10/1/2015 7:11 AM
30	It would be nice if the folks who paid in were the recipients of services. Like roads, parks, snow removal etc.	10/1/2015 6:54 AM
31	Tax reassessment for middle class	9/30/2015 2:23 PM
32	Less reliance on property taxes, reduction in sales taxes, higher income tax rates on higher income individuals. Eliminate personal property (e.g. car) taxes	9/30/2015 1:30 PM

Q5 How would you propose the tax system in West Virginia be altered to benefit infrastructure?

Answered: 23 Skipped: 43

#	Responses	Date
1	wouldn't. cut the red tape and readjust the budget. the money already exists, it just pays for wasteful things.	10/13/2015 8:57 AM
2	Lower them	10/13/2015 8:37 AM
3	I don't know, but I am sure, as with the Federal Government, there is a lot of waste that can be done away with, moving these monies to help with infrastructure.	10/10/2015 4:57 PM
4	Investment in West Virginias public infrastructure is imperative. West Virginia should put people to work rebuilding our crumbling infrastructure in the southern part of the state, where big coal has left and abandoned those regional economies. Again, tax big business.	10/8/2015 4:34 PM
5	Better planning when doing roads so that they are not constantly having to be under construction and tearing up to be rebuilt!!	10/8/2015 9:03 AM
6	Actually use it on infrastructure.	10/8/2015 4:59 AM
7	Infrastructure should be priority spending above non-essential spending.	10/7/2015 4:09 PM
8	By implementing the tax changes I suggested there will be money for infrastructure.	10/7/2015 12:07 PM
9	Allow counties with the economic means to invest in their own infrastructure. Couple that with robust audit and review of spending and efficiency. Increased gas taxes are a poor substitute for increasing efficiencies in spending.	10/5/2015 9:38 PM
10	Stop wasting tax money on infrastructure that does not need work and spend it on areas that need work. (Ex. Constant replacing of I -81)	10/5/2015 11:34 AM
11	Tolls to out of state residents and businesses using our share of the interstate highway system. Use of all gasoline and diesel taxes for highway and bridge infrastructure.	10/4/2015 5:19 PM
12	Tax trucks more. They do a lot more damage to highways.	10/4/2015 11:23 AM
13	Benefit the infrastructure - because of so many un-safe actions that hurt the citizens, there should be an enormous tax penalty to those businesses - they should NOT be allowed bankruptcy protection.	10/3/2015 6:32 PM
14	Infrastructure is an appropriate investment. Cut the waste and levels of bureaucracy to free up funds.	10/3/2015 4:58 PM
15	Up tax on alcohol. Do more about those that live or move into wv but don't pay wv taxes.	10/3/2015 3:11 PM
16	Not sure sorry	10/3/2015 12:13 AM
17	Worry about making the taxation of all businesses fair first then worry about infrastructure next year.	10/2/2015 3:33 PM
18	Unless there isn't sufficient tax revenue, alteration to the tax system might not be beneficial to infrastructure.	10/1/2015 9:40 PM
19	a flat tax	10/1/2015 9:23 PM
20	Again raising the gas tax is harder on our poorest citizens. Perhaps instead raise the car inspection to \$20 and add a yearly fee with registrations to help fund road repairs	10/1/2015 8:43 PM
21	I	10/1/2015 8:18 PM
22	N/A	10/1/2015 6:54 AM
23	Provide direct, committed funding through taxes into appropriate dedicated trust funds.	9/30/2015 1:30 PM

DA

SENATE BILL NO. 373

BY SENATORS ENSMINGER, COX, CRAIN, NELSON, HOLLIS, MCPHERSON AND ULLO AND REPRESENTATIVES STEVE THERIOT, ALARIO, R. ALEXANDER, ANDING, ARMSTRONG, BRUN, CAIN, CARRIER, CASTILLE, CRANE, DAMICO, DASTUGUE, DIEZ, DIMOS, DONELON, DUKE, EASON, FORSTER, GAUDIN, GEE, GLOVER, HAND, HEBERT, HERRING, HIGGINBOTHAM, JENKINS, JOHN, C.D. JONES, KENNARD, LANCASTER, LEBLANC, LEMOINE, MCCLEARY, MCDONALD, MCPHEREN, MONTGOMERY, PRATT, REILLY, ST. RAYMOND, SIRACUSA, SITTIG, JESS SMITH, JOHN SMITH, STELLY, STRAIN, THOMPSON, TOOMY, TRICHE AND VOLENTINE

AN ACT

To enact R.S. 47:6005, relative to taxes paid on inventory; to provide for state tax credits for ad valorem taxes paid on inventories; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 47:6005 is hereby enacted to read as follows:

§6005. Tax credits for local inventory taxes paid

A. There shall be allowed a credit against the corporate and personal income taxes and the corporation franchise tax for ad valorem taxes paid to political subdivisions on inventory held by manufacturers, distributors, and retailers.

B. Credit for taxes paid by corporations shall be applied to state corporate income and corporation franchise taxes. Credit for taxes paid by unincorporated persons shall be applied to state personal income taxes. The taxpayer shall be entitled to a refund for any allowable credit which exceeds the aggregate tax liability of the taxpayer for the taxes imposed by Chapter 1 and Chapter 5 of Subtitle II of this Title. The secretary shall make such refund to the taxpayer in the amount to which he is entitled from the current collections of the taxes collected pursuant to Chapter 1 and Chapter 5 of such Subtitle II.

C. The term "manufacturer" as used herein means a person engaged in the business of working raw materials into wares suitable for use or which gives new shapes, qualities, or combinations to matter which already has gone through some artificial process. The term "distributor" as used herein means

a person engaged in the sale of products for resale or further processing for resale. The term "retailer" as used herein means a person engaged in the sale of products to the ultimate consumer.

D. The credit provided in this Section shall be allowed as follows:

(1) For inventory taxes paid to political subdivisions on or after July 1, 1992, and before June 30, 1993, the credit shall be twenty percent of such taxes paid.

(2) For inventory taxes paid to political subdivisions on or after July 1, 1993, and before June 30, 1994, the credit shall be forty percent of such taxes paid.

(3) For inventory taxes paid to political subdivisions on or after July 1, 1994, and before June 30, 1995, the credit shall be sixty percent of such taxes paid.

(4) For inventory taxes paid to political subdivisions on or after July 1, 1995, and before June 30, 1996, the credit shall be eighty percent of such taxes paid.

(5) For inventory taxes paid to political subdivisions on or after July 1, 1996, the credit shall be one hundred percent of such taxes paid.

PRESIDENT OF THE SENATE

SPEAKER OF THE HOUSE OF REPRESENTATIVES

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____



LLOT

this cost.
Most of the 27 states with collection allowances provide a discount that is a straight percentage of the amount collected. In recent years, a few states have instituted an early payment discount to provide a financial incentive to accelerate payments.

Opponents of the collection allowance point to the state's on-going fiscal problems and argue that lost revenues from a collection allowance would have to be recovered from other taxes.

Inventory Tax

3. Would you prefer the elimination of the business inventory tax to a comparable tax reduction in the general property tax?

Yes No Undecided
1 2 3 14

3a. Of the various possible tax increases suggested to replace the revenue lost by repealing the business inventory tax, would an increase in the individual income tax be an acceptable alternative to you?

Yes No Undecided
1 2 3 15

Background: Presently, inventory held by West Virginia business entities is subject to the personal property tax that is collected by the county. West Virginia businesses are taxed at a rate of 3.214% while businesses in Virginia and Ohio pay no tax at all. The rate of personal property tax in Kentucky is 0.661%. This additional tax on West Virginia based companies is enough to make them uncompetitive in many cases.

Proponents of business tax reform point out that, while the overall West Virginia tax burden is low, the business tax burden is

Continued on page 2



disproportionately high, impeding economic growth and development. More than 36 states have now repealed the inequitable business inventory tax. Because the West Virginia Legislature has failed to deal with this problem, the state has suffered a substantial loss of business and capital investment, resulting in unemployment and out-migration of Mountain State workers.

Opponents of basic tax change modification argue that no immediate crisis exists to warrant the necessity of a legislative response. They also argue that any tax changes will result in capricious tax shifting, which would adversely affect the business climate. In the view of critics, tax stability and predictability are more important than the desirability of the proposed tax reforms.

Auto Tag Tax Equalization

4. Should the personal inventory tax on motor vehicles be equalized in every county in West Virginia so that the same model and year car or truck would have the same cost per tag no matter where you reside or where your business is located in West Virginia?

Yes No Undecided
1 2 3 16

Background: It is commonly known that many people and businesses subvert the state law in order to pay less on a motor vehicle tag in a neighboring county or state. Many believe that, in spite of the positive or negative revenue effect it would have on various local governments, it is time to end the competition between counties with regard to this tax on mobile property. Supporters point out that unlike real, stationary property that is subject to local market conditions, the motor vehicle is capable of using roadway services of every county and community in this state and beyond and should, therefore, be of equal value and taxed at the same rate throughout the state.

Health Care Tax Credits

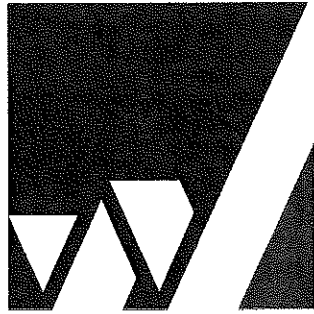
5. Should state government provide tax credits to individuals and small business to help cover the cost of health insurance premiums?

Yes No Undecided
1 2 3 17

5a. Would you support a slight increase in the state personal income tax to help fund the above mentioned tax credits?

Yes No Undecided
1 2 3 18

Background: A way to make health insurance more affordable to small business and individuals is a tax credit. A tax credit is already available for federal taxes for individuals who purchase health insurance. A similar tax credit



WEST VIRGINIA MANUFACTURERS ASSOCIATION

October 20, 2015

The Honorable Mike Hall
Chairman, Senate Finance Committee and
Co-chairman of Joint Select Committee on Tax Reform
Room 465M, Bldg. 1
1900 Kanawha Blvd. E.
Charleston, WV 25305

The Honorable Eric Nelson
Chairman, House Finance Committee and
Co-chairman of Joint Select Committee on Tax Reform
Room 462M, Building 1
State Capitol Complex
Charleston, WV 25305

STATEMENT OF WEST VIRGINIA MANUFACTURER'S ASSOCIATION ON TAX REFORM

Dear Chairman Hall and Chairman Nelson:

Thank you for giving the public an opportunity to comment on tax reform. You and your Committee have spent countless hours hearing from different individuals on various aspects of West Virginia's state and local tax structure. Some speakers made specific recommendations for tax reform.

At the present time, your committee does not have specific tax reform proposals before it, and the inclination of many will be to remain on the sidelines until the Committee begins working on specific proposals. We also recognize that tax reform is more a difficult subject when West Virginia is facing a budget shortfall of \$250 million or more for the fiscal year ending June 30, 2016.

The West Virginia Manufacturer's Association ("WVMA") is the only statewide organization which exclusively serves the manufacturing community in West Virginia. The Association is comprised of over 200 member companies employing over 40,000 persons in the State and represents both small and large companies located in all parts of the State.

The WVMA commends the Legislature for enacting legislation that phased out over a period of years the business franchise tax, which was a significant disincentive to capital investment in West Virginia, and reduced the rate of the corporation net income tax from 9% to 6.5% over a period of years. However, West Virginia continues to lose manufacturing jobs¹ and there is still work to be done.

For example, in 2008, the Legislature enacted the West Virginia Manufacturing Property Tax Adjustment Act² which allows a manufacturing business³ a tax credit for property taxes paid on manufacturing inventory.⁴ The credit is taken first against business franchise taxes, and unused credit is then applied against corporation net income taxes. With elimination of the business franchise tax for tax years beginning on or after January 1, 2015, only corporations that have positive West Virginia taxable income are still able to claim this credit. This means that manufacturing business that are partnerships, limited liability companies and electing small corporations (S corporations) can no longer use this credit.

Earlier this month, the Committee heard that West Virginia is one of only 10 states that impose property taxes on business inventory and that an inventory tax is one of the more distorted taxes that you can have.⁵

Property taxes on inventory affect all sectors of the West Virginia business economy that maintain an inventory of tangible personal property as part of their business activities, including, but not limited to, retailers, wholesalers, warehousemen (on inventory not exempt under the Freeport amendment⁶), manufacturers and repair businesses.

The WVMA affirmatively supports amending the State Constitution to allow the Legislature to by general law, in its discretion, first exempt licensed motor vehicles from property tax and then reduce or phase out in an orderly and fiscally responsible manner property taxes on business inventory, machinery and equipment and on other tangible personal property (not including mineral leasehold interests), so long as adequate replacement revenues can be

¹ Data from the 2016 West Virginia Manufacturers Register show manufacturing employment in the state dropped by 1.4 percent, or 1,184 jobs, from July 2014 to July 2015.

² Codified in W. Va. Code § 11-13Y-1 *et seq.*

³ “Manufacturing business” is defined in W. Va. Code § 11-13Y-2(b)(6) and means “any business primarily engaged in business activity classified as having a sector identifier, consisting of the first two digits of the six-digit North American Industry Classification System code number, of thirty-one, thirty-two or thirty-three that also paid ad valorem property tax on manufacturing inventory to one or more West Virginia counties during the taxable year.”

⁴ “Manufacturing inventory” is defined in W. Va. Code § 11-13Y-2(b)(7) and means and is limited to “raw materials, goods in process and finished goods of a business primarily engaged in business activity classified as having a sector identifier, consisting of the first two digits of the six-digit North American Industry Classification System code number, of thirty-one, thirty-two or thirty-three.”

⁵ Testimony of Jared Walczak, Policy Analyst, Tax Foundation, on October 5, 2015, to West Virginia Joint Select Committee on Tax Reform.

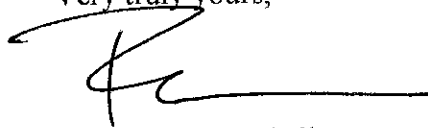
⁶ W. Va. Const. art. X, §1c; implemented by W. Va. Code §§ 11-5-13 and 11-5-13a.

found to make local levying bodies whole and not jeopardize their bonded indebtedness. Such an amendment would enable the Legislature to give broad relief from uncompetitive taxes on non-utility business personal property and to exempt licensed motor vehicles from property tax engendering broad public support for the amendment. West Virginia is a rural State and in many places public transportation is not available. Citizens, whether poor or rich, of necessity rely upon their motor vehicles to go to work, to go to the doctor, to go grocery shopping, to go to church and to pursue many other activities. Property taxes are recognized as regressive taxes and they should be eliminated on licensed motor vehicles just as many other states have already done.⁷

In the past, serious proposals have been presented which identify responsible and feasible means to generate revenues fully adequate to replace such taxes (e.g. the 1999 Report of the Governor's Commission on Fair Taxation), and the potential economic benefits of lifting the uncompetitive tax on business inventory, machinery and equipment are important enough to merit a serious study of such possibilities.

At an appropriate time, the WVMA would be happy to comment on specific proposals the Committee has for reforming West Virginia's state and local tax structure.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Rebecca R. McPhail', with a long horizontal line extending to the right.

Rebecca R. McPhail
President

⁷ Approximately half of the 50 states and the District of Columbia do not impose property taxes on motor vehicles. These states are Alaska, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Louisiana, **Maryland**, New Jersey, New Mexico, New York, North Dakota, **Ohio**, Oklahoma, Oregon, **Pennsylvania**, South Dakota, Tennessee, Texas, Vermont, Washington and Wisconsin. Source: Wallethub.com. States that impose property taxes on motor vehicles often provide relief from that tax for low-income individuals, disabled individuals and senior citizens. The West Virginia Constitution currently prohibits giving of similar relief in West Virginia.

National Association of Social Workers

October 19, 2015

The Honorable Mike Hall, Chair
The Honorable Eric Nelson, Chair
Joint Select Committee on Tax Reform
Room 465M, Building 1
State Capitol Complex
Charleston, WV 25305

Dear Senator Hall and Delegate Nelson,

Thank you for the opportunity to provide these comments to the Joint Select Committee on Tax Reform regarding state tax reform initiatives and their impact on the citizens of West Virginia.

The National Association of Social Workers, West Virginia Chapter believes, first and foremost, that any tax reform initiatives must not increase the tax burden on low and middle income West Virginia families. These are families that actually need more tax relief, as they have struggled mightily because of the "Great Recession" and the more recent economic downturn in West Virginia.

One excellent way to support self-sufficiency and promote employment among low and middle income families is the concept of a state Earned Income Tax Credit (EITC). Creating a West Virginia Earned Income Tax Credit would provide tax relief for those who need it most: working West Virginia families. These funds would be spent in local communities to provide for the safety and well-being of families, while providing an immediate boost to local West Virginia businesses.

Right now, twenty-six states and the District of Columbia have enacted state EITCs which complement the federal program; an acknowledged anti-poverty tool that has long received bipartisan support. A West Virginia EITC would help over 140,000 West Virginia households meet basic needs -like groceries, car repairs, and childcare- by providing an average household tax credit of \$332. It would also boost the local economy by nearly \$47 million dollars in first year!

Aside from enacting a West Virginia EITC, the Joint Select Committee on Tax Reform should follow these basic principles in determining its course of action:

- Any new tax proposals should not negatively impact funding for schools, roads, higher education, children, seniors, or essential social and health services;
- There should be accountability to demonstrate the benefit of any tax credits or advantages so we clearly know they are working as intended;
- New and alternative sources of revenue should be considered to pay for urgent needs such as infrastructure, education, health care, and human services programs, and;
- Any new tax proposals should avoid changes to revenue generation that would bypass the democratic process and/or weaken the state's ability to meet its future needs.

Thank you again for the opportunity to provide these comments. Please feel free to contact me if you have questions or need further information.

Sincerely,



Samuel A. Hickman, MSW, LCSW, ACSW
Executive Director



2006 Kanawha Blvd., East
Charleston, WV 25311
304.343.5500
304.343.5810 Fax
omega@omegawv.com
www.omegawv.com

Members of the Joint Committee on Tax Reform:

On behalf of the West Virginia Oil Marketers and Grocers Association, we appreciate the opportunity to submit comments to you regarding your efforts to reform taxes in West Virginia.

The represented members of the West Virginia Oil Marketers and Grocers Association (OMEGA) are homegrown West Virginia businesses that employ more than 50,000 individuals, nearly 2.5% of the state's population. Employees of our member companies blend the fuels, deliver the gasoline, stock the shelves and work the counters – all of which bring comfort and convenience to your everyday life.

OMEGA members collect a substantial amount of state revenue and taxes. In fact, more than 10% of all state taxes are generated through sales at our members' businesses.

OMEGA members are not large out-of-state operations. We are not "Big Oil." As a matter of fact, less than 3% of convenience stores throughout the nation are owned and operated by oil companies. OMEGA is comprised of hometown employers and entrepreneurs contributing to our communities. We believe that advantages should not be given to large out-of-state companies and that our surrounding states should not have an advantage over us to operate their business. We continue to seek an even playing field to conduct business.

We would like to express the importance of maintaining West Virginia's border stability in relation to taxes.

Differences in excise tax rates across jurisdictions create incentives for consumers to cross the border and purchase in lower-tax jurisdictions. There are certain commodities that consumers shop price for and among those are gasoline, cigarettes and beer. It is estimated that fifty percent of West Virginia residents live near a border, therefore being competitive on those borders is important to West Virginia's retailers. We know that when consumers go across the border for these items that they also make other purchases. So, not only does West Virginia lose the tax on the aforementioned items but also on the sales tax from other items as well.

Maintaining a competitive tax rate insures border stability for retailers on our state's borders and is crucial for not only the success of those small businesses, but it also ensures our residents stay in the state to buy their everyday needs. A competitive tax rate will encourage consumers from bordering states to purchase gasoline and convenience items in our state. A competitive tax rate will ensure that our members will be able to obtain the sales that create revenue for the state.

Increasing excise taxes would be detrimental to not only the members of OMEGA, but other retailers, consumers and the state's ability to generate revenue. For these reasons, on behalf of my members, I ask the members of the Legislature to give careful consideration to tax reform and how it will impact our border businesses.

Attached you will find a fact sheet with graphs showing our tax rates for several commodities as compared to our surrounding states.

Again, thank you for this opportunity and for all your hard work on this issue.

Sincerely,

A handwritten signature in black ink, appearing to be 'Janet S. Vineyard', written in a cursive style.

Janet S. Vineyard
President

Border Stability

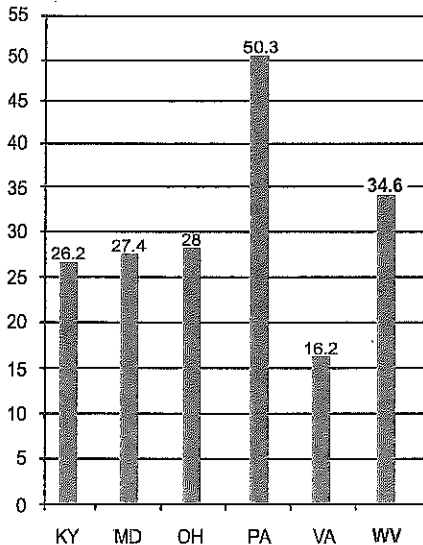
Surrounding State Tax Comparison

50% of West Virginia residents live near a border, therefore being competitive on those borders is important to West Virginia businesses.

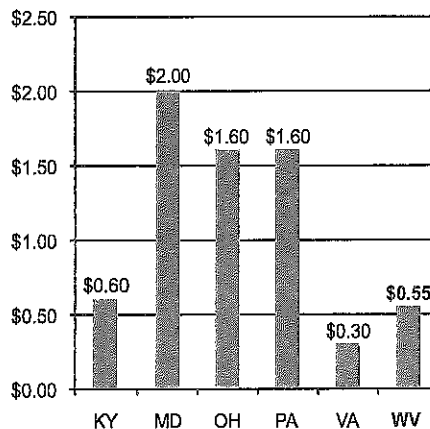
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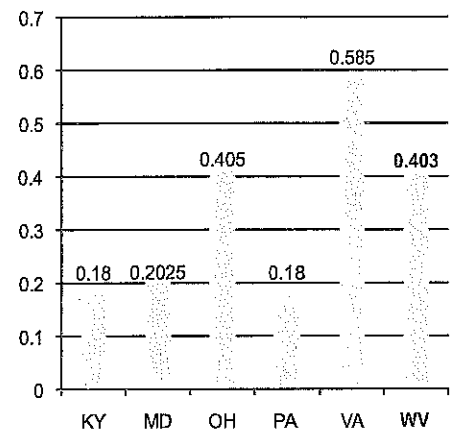
Gas Taxes



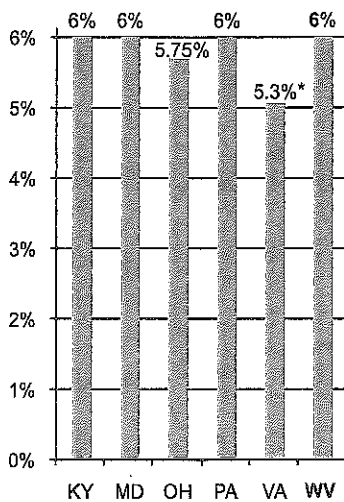
Cigarette Taxes



Beer Taxes Per Case

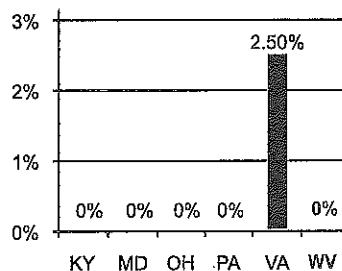


Sales Taxes



* Northern VA & Hampton Roads 6%

Food Taxes



West Virginia's Soft Drink Tax

West Virginia is only one of two states, the other being Arkansas, that has a special excise tax on soft drinks. In West Virginia the tax is 1 cent per 16.9 oz or 1/2 liter. Thus on a case it is 24 cents we pay here that our surrounding states do not.

OMEGA
west virginia oil marketers & grocers assoc.

www.omegawv.com

Revised 7/15

Q7 What other areas do you think could be benefitted through tax reform, and how?

Answered: 23 Skipped: 43

#	Responses	Date
1	none. people are better at spending their money than the government.	10/13/2015 8:57 AM
2	Lower them	10/13/2015 8:37 AM
3	Improve the education system in the state so West Virginia can be in the top 10 states based on education of students instead of at the bottom.	10/12/2015 11:06 PM
4	Every one needs gas, and WV tax on gas is to high. Of course local businesses rob people charging more than needed. I go to Virginia to buy my gas, I save 40 cents a gallon. I would rather see a penny or two more in sales tax for all purchases, than putting it on gas. The poor and Seniors need gas also, and this is one way to help.	10/10/2015 4:57 PM
5	Our main concern should be putting the people of West Virginia to work. Whether this comes in the form of allowing them to start their own business with little to no taxation for a few years, or increasing taxes on top earners and big businesses to spend money on a state-wide project which would put West Virginians to work rebuilding our roads and bridges, we need to fight unemployment. Economic stimulus comes best in the form of the consumers pocket, and when people don't have money in their pocket, business can't flourish.	10/8/2015 4:34 PM
6	Lower the gasoline tax so people will be able to fill their tanks for work and consequentially pleasure traveling. More monies would be spent if people could afford to go places as a family and all businesses would benefit therefore more tax money for the state!!!	10/8/2015 9:03 AM
7	If we have to have a property tax then lets have a system that is up to date. I made a mistake on a couple of my taxes for vehicles and did not pay 2nd half on time did not know till i renew registration then i get to pay the additional fees. I feel that printing name in news paper for taxes is useless Why not some form of notification before additional fees applied? I get about 10 different tax slips.	10/7/2015 1:20 PM
8	Ever area of the state would benefit from the tax system being more friendly to business and workers, more opportunities would exist, more people would pay taxes, and the revenue will increase for the state as a whole.	10/7/2015 12:07 PM
9	Legislators are in a tough position. You are addressing tax reform, but an obvious improvement to our state's prosperity is in improving our business base. More business means greater personal income tax revenue. Better in-state purchase options means greater sales tax solutions. While personal tax savings are politically popular, business tax incentives pay long- term benefits to the state and its citizens.	10/5/2015 9:38 PM
10	taxing a car every year is absurd. We pay taxes when we buy it. How can you justify taxing it every year?	10/5/2015 6:16 PM
11	Look into all areas for waste and fraud	10/5/2015 11:34 AM
12	What other areas do I think could benefit from tax reform? More closely regulate what deals local economic development authorities cut with companies seeking to relocate. Or at least study these deals to see how they turned out for the taxpayers. The two large companies that went bamkrup in Berkeley County in the last decade probably left a lot on the table in terms of taxes not paid.	10/4/2015 11:23 AM
13	Anything that is being put forward as a tax should be for the public to vote on.	10/3/2015 10:15 PM
14	there are so many things that have tax attached - it would be nice if we paid ONE TAX each year and then we could survive a lot easier.	10/3/2015 6:32 PM
15	The gas tax is too high and no one can point to pristine road conditions to justify it.	10/3/2015 4:58 PM
16	Maybe state, county and city that own alot of property need to pay something. Either get rid of unused property and get it back on the tax books or use it.	10/3/2015 3:11 PM
17	Dont make taxes high for middle class families. And higher for people make more money	10/3/2015 12:13 AM
18	Get rid of the annual \$125 fee (TAX) for WV businesses that is required of state businesses to sell to state government. This is truly robbery by the state of the very businesses that are the lifeblood for its citizens. I do business in 49 states, often to state governments, and I'm not held hostage to collect such fees. I'm boycotting WV purchasing for this very reason. Take the money wasted on routers, OASIS, Jim Justice, race tracks and give it to the purchasing department. Drop the \$125.	10/2/2015 3:33 PM

19	There are only two parties involved here. The taxpayer and the state. When tax codes are used to bring benefit to any particular party, others are most often negatively affected. The tax code must first and foremost be fair to all.	10/1/2015 9:40 PM
20	attract more business to start up and create jobs , also a flat tax more take home pay is more spending	10/1/2015 9:23 PM
21	Most people do not mind paying taxes if they feel there is value in doing so. Make the public more aware of how state dollars are spent and keep state agencies accountable to spend on projects that create a better WV.	10/1/2015 8:43 PM
22	County real estate taxes - lower.	9/30/2015 2:23 PM
23	Consider the cost of tax collection (government, business, individuals) and eliminate unnecessary bureaucracy. For example, the personal property tax costs a lot to implement relative to its benefits.	9/30/2015 1:30 PM

COUNTY	PRODUCING COAL	RESERVE COAL	INDUSTRIAL APPRAISED VALUE	TOTAL COAL VALUE	PRODUCING COAL TAXES	RESERVE COAL TAXES	INDUSTRIAL TAXES	TOTAL COAL TAXES	TAX YEAR 2013
BARBOUR	47,399,216	46,250,432	69,316,400	162,966,048	360,044	351,318	526,527	1,237,890	
BERKELEY		98,219	196,613,000	196,711,219	0	1,456	2,913,805	2,915,260	
BOONE	534,386,471	133,904,966	1,242,715,737	1,911,007,174	8,124,812	2,035,891	18,894,250	29,054,953	
BRAXTON	2,502,906	41,905,830	12,037,377	56,446,113	25,830	432,468	124,226	582,524	
BROOKE		1,044,558	1,097,790	2,142,348	0	16,634	17,481	34,115	
CABELL		288,054	540,661	828,715	0	4,768	8,950	13,719	
CALHOUN		310,796	4,230,488	4,541,284	0	3,097	42,161	45,258	
CLAY	5,531,677	50,162,466	68,476,740	124,170,883	53,702	486,977	664,772	1,205,451	
DODDRIDGE		2,603,799	4,603,417	7,207,216	0	39,604	70,018	109,622	
FAYETTE	77,496,295	58,685,826	292,260,118	428,442,239	1,189,878	901,062	4,487,362	6,578,302	
GILMER		5,847,217	0	5,847,217	0	65,080	0	65,080	
GRANT	21,042,253	16,477,224	37,119,895	74,639,372	171,452	134,256	302,453	608,162	
GREENBRIER	36,182,306	25,710,378	133,984,555	195,877,239	448,733	318,860	1,661,676	2,429,270	
HAMPSHIRE		109,274	0	109,274	0	913	0	913	
HANCOCK		195,593	0	195,593	0	3,158	0	3,158	
HARDY		56,732	0	56,732	0	534	0	534	
HARRISON	76,734,988	13,892,892	122,188,760	212,816,640	1,050,195	190,138	1,672,275	2,912,609	
JACKSON		349,211	1,489,617	1,838,828	0	5,211	22,228	27,439	
JEFFERSON		837	14,333	15,170	0	12	201	213	
KANAWHA	179,959,118	98,565,157	524,900,644	803,424,919	2,365,743	1,295,738	6,900,344	10,561,824	
LEWIS		9,484,936	926,571	10,411,507	0	104,543	10,213	114,756	
LINCOLN	68,436,972	37,955,873	47,456,906	153,849,751	1,024,091	567,972	710,145	2,302,208	
LOGAN	372,202,061	93,889,982	889,855,588	1,355,947,631	5,641,094	1,422,997	13,486,651	20,550,742	
MARION	145,864,822	22,869,015	330,431,713	499,165,550	2,145,963	336,449	4,861,311	7,343,724	
MARSHALL	321,947,976	24,243,076	506,661,507	852,852,559	4,241,987	319,427	6,675,772	11,237,185	
MASON	3,477,160	7,976,422	52,487,062	63,940,644	48,486	111,223	731,880	891,588	
MCDOWELL	116,694,948	76,313,496	500,453,416	693,461,860	1,473,857	963,839	6,320,727	8,758,423	
MERCER	828,531	1,631,158	9,472,089	11,931,778	11,314	22,275	129,351	162,940	
MINERAL	1,935,197	8,285,578	2,018,352	12,239,127	27,728	118,716	28,919	175,362	
MINGO	170,152,473	51,787,326	595,443,983	817,383,782	2,323,602	707,208	8,131,383	11,162,193	
MONONGALIA	101,993,188	18,999,993	247,496,299	368,489,480	1,190,261	221,730	2,888,282	4,300,272	
MONROE		25,951	0	25,951	0	319	0	319	
MORGAN		11,065	0	11,065	0	148	0	148	
NICHOLAS	123,769,733	54,315,177	353,887,124	531,972,034	1,396,123	612,675	3,991,847	6,000,645	
OHIO	4,689,655	1,995,791	194,124,348	200,809,794	63,479	27,015	2,627,667	2,718,161	
PENDLETON		10,568	0	10,568	0	86	0	86	
PLEASANTS		81,704	487,794	569,498	0	1,198	7,153	8,351	
POCAHONTAS		3,566,696	0	3,566,696	0	28,954	0	28,954	
PRESTON	1,202,992	7,973,620	15,895,982	25,072,594	12,603	83,532	166,526	262,660	
PUTNAM		3,147,000	16,641,207	19,788,207	0	47,564	251,515	299,079	
RALEIGH	223,472,699	89,683,743	579,269,709	892,426,151	3,293,094	1,321,580	8,536,118	13,150,792	
RANDOLPH	1,950,124	59,119,492	28,643,536	89,713,152	19,868	602,309	291,820	913,998	
RITCHIE		102,341	158,142	260,483	0	1,369	2,115	3,484	
ROANE		163,573	0	163,573	0	1,603	0	1,603	
SUMMERS		543,483	575,396	1,118,879	0	4,428	4,688	9,117	
TAYLOR	7,080,454	32,393,888	148,946,743	188,421,085	91,933	420,602	1,933,925	2,446,459	
TUCKER	15,110,296	2,248,589	257,365	17,616,250	123,119	18,322	2,097	143,537	
TYLER		370,756	335,526	706,282	0	5,205	4,711	9,916	
UPSHER	41,017,083	39,972,696	74,380,937	155,370,716	430,679	419,713	781,000	1,631,393	
WAYNE	147,564,034	10,470,322	261,567,596	419,601,952	2,050,550	145,496	3,634,743	5,830,789	
WEBSTER	14,443,805	37,487,201	2,414,395	54,345,401	117,688	305,446	19,672	442,806	
WETZEL	11,848,960	13,174,571	27,501,730	52,525,261	163,942	182,283	380,514	726,740	
WIRT		134,167	0	134,167	0	1,966	0	1,966	
WOOD		3,077	217,878	220,955	0	40	2,852	2,893	
WYOMING	159,937,425	67,980,048	478,832,062	706,749,535	2,267,593	963,821	6,788,881	10,020,295	
STATE TOTALS	3,036,855,818	1,274,871,835	8,078,430,488	12,390,158,141	41,949,441	16,379,227	111,711,209	170,039,877	

COUNTY	PRODUCING COAL	RESERVE COAL	INDUSTRIAL APPRAISED VALUE	TOTAL COAL VALUE	PRODUCING COAL TAXES	RESERVE COAL TAXES	INDUSTRIAL TAXES	TOTAL COAL TAXES	TAX YEAR 2014
BARBOUR	54,156,946	34,783,011	59,133,581	148,073,538	428,923	275,481	468,338	1,172,742	
BERKELEY	0	210,231	178,000	388,231	0	3,123	2,644	5,768	
BOONE	455,504,292	63,323,907	1,149,077,579	1,667,905,778	6,925,487	962,777	17,470,576	25,358,839	
BRAXTON	2,810,053	22,882,759	4,634,448	30,327,260	28,561	232,580	47,105	308,246	
BROOKE	0	487,712	5,283,667	5,771,379	0	7,828	84,803	92,631	
CABELL	0	267,335	654,535	921,870	0	4,305	10,541	14,846	
CALHOUN	0	312,179	4,412,518	4,724,697	0	3,106	43,896	47,001	
CLAY	12,212,008	26,076,793	29,952,671	68,241,472	118,554	253,154	290,781	662,488	
DODDRIDGE	0	1,416,762	5,054,237	6,470,999	0	21,141	75,419	96,560	
FAYETTE	87,102,918	27,809,588	276,925,724	391,838,230	1,336,856	426,822	4,250,256	6,013,933	
GILMER	0	3,115,619	969,190	4,084,809	0	34,677	10,787	45,464	
GRANT	31,621,496	13,517,558	28,993,519	74,132,573	257,652	110,141	236,239	604,032	
GREENBRIER	41,523,757	11,637,902	59,400,322	112,561,981	514,479	144,194	735,970	1,394,643	
HAMPSHIRE	0	190,685	0	190,685	0	1,594	0	1,594	
HANCOCK	0	239,548	0	239,548	0	3,869	0	3,869	
HARDY	0	106,994	0	106,994	0	1,007	0	1,007	
HARRISON	49,645,349	9,218,071	88,128,157	146,991,577	675,574	125,440	1,199,248	2,000,261	
JACKSON	0	203,368	1,443,526	1,646,894	0	3,035	21,540	24,575	
JEFFERSON	0	1,531	12,999	14,530	0	22	183	205	
KANAWHA	181,480,740	46,831,930	492,792,454	721,105,124	2,404,257	620,429	6,528,514	9,553,201	
LEWIS	0	6,373,913	930,944	7,304,857	0	70,253	10,261	80,514	
LINCOLN	44,506,588	20,677,962	48,844,292	114,028,842	662,258	307,688	726,803	1,696,749	
LOGAN	333,927,331	51,219,110	871,785,981	1,256,932,422	5,061,003	776,277	13,212,788	19,050,068	
MARION	152,382,048	13,136,609	352,460,374	517,979,031	2,260,131	194,842	5,227,692	7,682,665	
MARSHALL	375,465,115	14,329,953	624,617,613	1,014,412,681	4,834,489	184,512	8,042,576	13,061,578	
MASON	2,139,097	5,630,226	26,604,391	34,373,714	31,214	82,156	388,211	501,581	
MCDOWELL	147,047,998	43,638,224	367,806,078	558,492,300	1,893,390	561,886	4,735,871	7,191,147	
MERCER	1,352,015	1,927,503	15,313,086	18,592,604	18,463	26,322	209,116	253,901	
MINERAL	1,714,673	7,685,080	1,933,094	11,332,847	24,568	110,112	27,697	162,377	
MINGO	107,551,320	31,028,586	555,589,894	694,169,800	1,468,721	423,726	7,587,136	9,479,583	
MONONGALIA	107,194,462	11,273,488	180,482,014	298,949,964	1,240,026	130,412	2,087,816	3,458,253	
MONROE	0	48,796	0	48,796	0	623	0	623	
MORGAN	0	13,553	0	13,553	0	163	0	163	
NICHOLAS	92,315,735	29,936,732	280,338,833	402,591,300	1,046,860	339,483	3,179,042	4,565,385	
OHIO	24,021,125	733,856	234,882,325	259,637,306	323,997	9,898	3,168,093	3,501,988	
PENDLETON	0	11,003	0	11,003	0	89	0	89	
PLEASANTS	0	87,562	479,155	566,717	0	1,292	7,072	8,365	
POCAHONTAS	0	7,488,568	288,448	7,777,016	0	60,792	2,342	63,134	
PRESTON	1,296,614	4,181,615	18,738,380	24,216,609	13,529	43,631	195,516	252,676	
PUTNAM	0	1,500,697	8,440,672	9,941,369	0	22,637	127,319	149,956	
RALEIGH	228,683,462	40,567,138	487,676,771	756,927,371	3,369,879	597,797	7,186,405	11,154,082	
RANDOLPH	1,270,932	30,668,462	26,983,997	58,923,391	13,162	317,603	279,446	610,211	
RITCHIE	0	88,658	218,066	306,724	0	1,186	2,916	4,102	
ROANE	0	143,390	0	143,390	0	1,416	0	1,416	
SUMMERS	0	594,033	389,860	983,893	0	4,840	3,177	8,017	
TAYLOR	9,439,176	24,443,173	204,833,997	238,716,346	121,765	315,317	2,642,359	3,079,441	
TUCKER	16,600,477	2,244,053	50,891,892	69,736,422	134,862	18,231	413,446	566,539	
TYLER	0	429,401	338,315	767,716	0	6,029	4,750	10,779	
UPSHER	41,894,667	21,804,634	90,928,886	154,628,187	440,145	229,079	955,299	1,624,524	
WAYNE	90,345,640	4,969,340	253,179,952	348,494,932	1,358,437	74,719	3,806,814	5,239,970	
WEBSTER	26,400,159	19,199,076	29,755,980	75,355,215	215,108	156,434	242,452	613,994	
WETZEL	39,601,899	7,225,791	36,939,353	83,767,043	550,308	100,410	513,309	1,164,027	
WIRT	0	149,392	0	149,392	0	2,160	0	2,160	
WOOD	0	4,082	200,801	204,883	0	54	2,663	2,717	
WYOMING	211,150,757	32,791,614	390,612,762	634,555,133	2,891,076	448,983	5,348,270	8,688,329	
STATE TOTALS	2,972,358,849	698,878,756	7,369,533,333	11,040,770,938	40,663,735	8,855,775	101,813,496	151,333,006	

Public Comments for Joint Committee on Tax Reform – 10/20/15, 1:00 pm session

Submitted by Betty Rivard, Individual Citizen

We have a real problem with our state's economy right now.

Thanks to the committee for exploring all of its dimensions and bringing in different points of view. It's been a great learning experience.

The challenge now is to create a level playing field, resist special interest and outside prescriptions, and develop a path that addresses needs unique to the state as a whole.

This means continuing to bring people together to get the best minds and ideas, identify common goals – like education, workforce participation, and infrastructure, and agree on a plan for going forward.

I don't know how to resolve basic differences, e.g.

“We're not going to tax our way to prosperity.”

v.

“We're not going to cut our way to prosperity.”

These are opposite.

Or,

“It's upside down to depend on income and property taxes.”

v.

“It's upside down to depend on consumption taxes.”

Personally, I agree with principles presented this morning by the AFL-CIO, WV Center on Budget and Policy, the AARP, and the American Friends Service Committee to have a progressive tax structure, including a refundable WV State Earned Income Tax Credit.

I do not agree with shifting toward regressive consumption taxes.

To put this in plain terms, at least as I understand it:

A non-elderly middle-income person pays \$9 on \$100 for taxes.
A non-elderly highest income person pays \$6.50 on \$100.

So the middle-income person is giving the highest income person \$2.50 per \$100, but there is no assurance about how that will be spent. Right now it appears nationally that economic growth does not necessarily equal more jobs or higher wages.

It may help – at least it helped me – to refresh myself on WV history going back to the 30s. Dr. Jerry Thomas, Professor Emeritus at Shepherd, wrote in *An Appalachian New Deal**:

The popular solution to West Virginia's Depression crisis – the Tax Limitation Amendment of 1932 – turned out to be untimely, ill-advised, and poorly crafted, adding a mind-numbing constitutional conundrum to the desperate economic situation. (Page 70)

The greatest savings under the amendment accrued to large owners of real estate and absentee owners of property who enjoyed the tax reductions but avoided the new indirect taxes and generally suffered no loss or inconvenience from the reduction of government services. (Page 88)

Finally, we need to look at valid data. The last round of tax cuts created a hole that has NOT been filled, and we are still trying to compensate for that.

Dr. Thomas quotes Dr. John Sly, political science professor at WVU and advisor to Governor Kump:

Kump's leading brain truster, John Sly, believed that only after the furor of the election had died down did people begin to ask what had been done – "the citizen was accordingly slow to accept the fact that he had made a most hazardous jump in the dark." (Page 79)

I just want to leave you with this thought: Let's not jump in the dark.

**An Appalachian New Deal: West Virginia in the Great Depression, by Jerry Bruce Thomas, The University of Kentucky, 1998.*

To: West Virginia Joint Select Committee on Tax Reform

Regarding: SB 386 submitted 2015 Legislative Session

2001 SB 177 passed: Ten of sixteen medical industries eliminated from BBHC tax

Mobile X-Ray represents the smallest tax revenue of the medical industries under the BBHC tax

Dear Committee Chairman's, Senators, and House of Delegate members:

My name is Richard Pulcrano, I represent the mobile diagnostics industry in West Virginia and I am here today to discuss SB 386 which was presented in the 2015 Legislative Session. My background includes bringing the mobile diagnostics industry to West Virginia in 1986 through the first statewide Certificate of Need "CON" approval for mobile X-ray and cardiology services. In 1988, I was awarded the Young Entrepreneur of the Year Award in West Virginia for the rapid expansion of diagnostic services around the state. In 2013, I applied for a second statewide CON to bring wireless digital diagnostic radiology "DR" into the state and received approval. My Mission Statement and passion since I incorporated in 1986 was to bring the most advanced diagnostic care on a mobile basis to every elderly citizen of West Virginia....and I am still very committed to seeing this happen thru the approval of SB386.

SB 386 presented at the 2015 Legislative Session won full approval in both Senate committees and one of two committees on the House of Delegates side. The question was raised by the House Finance Committee regarding a potential "impact study" to see how much affect the removal of the BBHC Tax from the mobile X-ray industry would have on the state Medicaid division.

Based on my background and experience, I wanted to share my thoughts on the benefits of SB 386:

- 1) The mobile X-ray industry represents the smallest tax revenue producer of the sixteen medical industries that initially started under the Broad Based Health Care "BBHC" Tax in 1993. Mobile X-ray represents \$150,000.00 per year of BBHC tax, the other medical industries are anywhere from eight to ten times larger BBHC tax producers for the state.
- 2) In 2001, SB # 177 was approved that eliminated ten of the sixteen medical industries from the BBHC Tax. Unfortunately, the mobile X-ray industry is very small and had no lobbying representation and were left in the BBHC tax. One (SNF nursing facilities) of the remaining six medical industries report the tax on the quarterly cost report, basically neutralizing the BBHC tax paid.
- 3) The \$150,000.00 BBHC tax I want eliminated with SB 386 would represent an excellent return on investment "ROI" for the state of West Virginia and here is why.... This money would be used immediately to add additional radiology equipment and staff to further penetrate remote markets of West Virginia we currently are not servicing to give geriatric patients in the home care market access to the latest advancements in diagnostic care. How does the state get an excellent ROI? For every X-Ray we provide in the home care market, we know based on surveys performed in rural markets, that 75% of the time, if a mobile X-ray service was not available, an ambulance service would be called to bring the patient to

the hospital or clinic. The average Ambulance fee roundtrip is \$750.00. Hospital Emergency Rooms use an age specific protocol for patients that come in for treatment. The average charge for a geriatric patient that comes into the Hospital ER for pneumonic symptoms is \$2,500.00. If we averaged the Ambulance and Hospital ER fees together, each patient would have approximately \$3,000.00 in medical fees. The mobile X-ray service fee for a simple chest X-ray for pneumonic symptoms would total \$150.00, which includes the radiologist's reading. If our company were to provide 100 patients a month in the new remote markets, we are saving approximately \$2,850.00 per each patient that uses the mobile X-ray services. **Savings/month = \$285,000.00 x 75% = \$213,750.00 per month savings.** *These numbers are not exact, but for example purposes only.*

- 4) Yearly, the mobile X-ray industry provides 45,000 X-rays on a statewide basis to the geriatric residents in the nursing home and home care markets. If you take the \$3,000.00 figure which combines the hospital emergency room fee and a roundtrip ambulance fee, minus the Mobile X-Ray fee, and we use a very conservative percentage "25%" of these patient's that if they had a mobile X-ray service available, you would eliminate these fees, this would provide over **THIRTY MILLION DOLLARS \$30,000,000** per year in savings to the state of West Virginia insurance systems. Statewide represents metropolitan and rural communities.

In support of these cost savings, in a recent study from the American Academy of Home Care Physicians (that is attached) said that, "Rigorous studies that compare a treatment group (mobile medical care) with similar individuals (conventional care) have shown cost-effectiveness in patients with high-cost chronic conditions".

Private practitioner Dr. Gresham Bayne also reported information contrasting ER visits and home care medicine: There were 110 million emergency room visits in 2006.

85% did not need immediate physician attention.

67% of the elderly arrive by ambulance.

80% of admissions were patients older than 75 years.

Frail elderly and disabled persons use emergency departments for primary care with an average ambulance transport cost of \$1,200, plus ER fees, x-rays, and tests. An emergent house call to an established patient in Dr. Bayne's practice with labs, EKG, oximetry, and cardiac impedance costs under \$300. In addition, a costly hospitalization is likely to follow. Giving patients what they want (to stay at home) can save Medicare money.

- 5) I'm sure some of you represented here today could look at SB 386 as a way for our company to put an additional \$150K per year in the pockets of the investors. My background and thirty year track record should give you comfort that this tax elimination would solely be used in growing our company which ultimately benefits the geriatric patients in West Virginia and helps reduce costs to the Medicaid division. My reputation is on the line with SB 386!

"How many medical industries can say that they are going to take the BBHC Tax savings and reinvest it back into themselves in order to ultimately save the State of WV money?"

Based on the facts that the Mobile X-Ray industry represents the smallest revenue source under the BBHC Tax, the direct savings to the State's Medicaid system as a result of greater level of services and the direct savings to the States Insurance systems, I'm

requesting that SB 386 be put into the 2016 Legislative Session as an Interim Bill and presented on the floor January 2016 for consideration and approval

I wanted to thank everyone for your time and consideration today, if there are any questions, I would be happy to entertain them.

Richard F. Pulcrano
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Costs and Cost-effectiveness of Home Medical Care

Home-base primary care (including house calls) is one solution to rising costs of chronic care.

While one house call costs more than one office visit, house calls are more likely to prevent unnecessary and far more costly ER visits and hospitalizations. At \$1,500 per ER visit, the cost of 10 house calls is offset by one ER visit prevented.

House calls also prevent costs associated with office visits: special transport; lost caregiver productivity from accompanying patients to the office.

Rigorous studies that compare a treatment group (mobile medical care) with similar individuals (conventional care) have shown cost-effectiveness in patients with high-cost chronic conditions.

Consider Naylor et al, "Comprehensive discharge planning and home follow-up of hospitalized elders" (JAMA. 1999; 281:613-620). This randomized controlled trial showed 65% reduction in hospital days and 50% cost savings. Similar findings with this model were reported using historical control data at Virginia Commonwealth University (Boling et al. J American Geriatrics Society 2004).

Also see Rich, MW, "A Multidisciplinary intervention to prevent the readmission of elderly patients with CHF" (New Engl J Med. 1995; 333:1190-1195.) There a randomized controlled trial of post-hospital care for high-risk CHF patients produced 50% reduction in re-hospitalization.

A house call program with 91 clients in a Nevada Social HMO produced 62% reduction in hospital days, saving \$439,825 per year in acute, skilled, and subacute days, with net savings of \$261,225. (SL Phillips et al, "Chronic Home Care:

A Health Plan's Experience" (Annals of Long Term Care; 2004). A follow-up study of Moderate Risk (PRA category) patients compared outcomes for 432 members treated by a geriatric care team with 266 members in standard community practices. The geriatric team saved \$760/member/year, projecting to \$760,000 annually for each 1,000 Moderate PRA members. (SL Phillips, et al, American Geriatrics Society 2004 Annual Meeting).

A 2006 George Washington University conference highlighted two other studies:

- Dr. Thomas Edes presented a national study of VA home and community based care programs (HBPC) with savings in inpatient care (62%) and nursing home days (88%), such that the program was expanded.
- Dr. Bruce Kinoshian presented the Pennsylvania ElderPACT program. For 11 years, this program blended house calls with Area Agency on Aging case managers to produce savings surpassing those in PACE programs.

Private practitioner Dr. Gresham Bayne also reported information contrasting ER visits and home care medicine:

- There were 110 million emergency room visits in 2006.
- 85% did not need immediate physician attention.
- 67% of the elderly arrive by ambulance.
- 80% of admissions were patients older than 75 years.

Frail elderly and disabled persons use emergency departments for primary care with an average ambulance transport cost of \$1,200, plus ER fees, x-rays, and tests. An emergent house call to an established patient in Dr. Bayne's practice with labs, EKG, oximetry, and cardiac impedance costs under \$300. In addition, a costly hospitalization is likely to follow. Giving patients what they want (to stay at home) can save Medicare money.

Earlier, the Call Doctor Medical Group in California compared treating pneumonia in the home rather than the hospital, using 2001 Medicare data. Average cost for hospital treatment was \$5,159 while home treatment cost \$1,000. Estimated annual savings to Medicare for this diagnosis could reach \$1 billion. (H. Finnelli, "House Care and the Housecall," 2001, at www.1800CALLDOC.com)

Summaries of data presented by Edes, Kinoshian, and Bayne are posted by the AAHCP at www.aahcp.org (Meetings/"Upending the Triangle" April, 2006).

In recent years, CMS recognized the cost-saving and care improvement potential of house calls:

- Findings from the "Home Hospital" study at Johns Hopkins University were reported in 2004. This study involves acutely ill elders with high cost conditions (pneumonia CHF, COPD and cellulitis) that met criteria for inpatient hospital care but were treated at home after initial ER evaluation. Good clinical outcomes were paired with costs equal to or lower than hospital care costs. CMS funded a broader demonstration of the model.

- CMS funded the multi-state CareLevel Management demonstration in which high-risk seniors are offered the alternative of medical house calls in a model which rewards physicians for cost-effectiveness. Flaws in the construction of this demonstration make success less likely.

COAL SEVERANCE TAX REVENUE							
FISCAL YEAR	NET STATE TAX COLLECTIONS	LOCAL COAL TAXES	TOTAL STATE & LOCAL COAL SEVERANCE TAX	WASTE COAL	WC Severance	Grand Total	CY Production
1969-70	\$ 10,563,054	N/A	\$ 10,563,054			\$ 10,563,054	143,132,284
1970-71	\$ 13,495,000	N/A	\$ 13,495,000			\$ 13,495,000	118,317,785
1971-72	\$ 33,488,203	N/A	\$ 33,488,203			\$ 33,488,203	122,856,378
1972-73	\$ 42,363,524	N/A	\$ 42,363,524			\$ 42,363,524	115,239,146
1973-74	\$ 44,633,879	N/A	\$ 44,633,879			\$ 44,633,879	101,713,580
1974-75	\$ 91,806,999	N/A	\$ 91,806,999			\$ 91,806,999	109,048,898
1975-76	\$ 108,607,774	\$ 11,400,000	\$ 120,007,774			\$ 120,007,774	108,793,594
1976-77	\$ 112,474,862	\$ 9,700,000	\$ 122,174,862			\$ 122,174,862	95,405,977
1977-78	\$ 91,896,960	\$ 7,500,000	\$ 99,396,960			\$ 99,396,960	84,697,048
1978-79	\$ 118,453,711	\$ 10,100,000	\$ 128,553,711			\$ 128,553,711	112,380,883
1979-80	\$ 118,663,046	\$ 11,800,000	\$ 130,463,046			\$ 130,463,046	121,583,762
1980-81	\$ 138,120,065	\$ 16,700,000	\$ 154,820,065			\$ 154,820,065	112,813,972
1981-82	\$ 176,605,964	\$ 13,800,000	\$ 190,405,964			\$ 190,405,964	128,778,076
1982-83	\$ 166,059,668	\$ 15,400,000	\$ 181,459,668			\$ 181,459,668	115,135,454
1983-84	\$ 134,973,974	\$ 12,400,000	\$ 147,373,974			\$ 147,373,974	131,040,566
1984-85	\$ 131,910,118	\$ 14,100,000	\$ 146,010,118			\$ 146,010,118	127,867,375
1985-86	\$ 142,721,735	\$ 13,300,000	\$ 156,021,735			\$ 156,021,735	130,787,233
1986-87	\$ 113,387,847	\$ 10,400,000	\$ 123,787,847			\$ 123,787,847	137,672,276
1987-88	\$ 117,062,905	\$ 11,000,000	\$ 128,062,905			\$ 128,062,905	144,917,788
1988-89	\$ 111,987,938	\$ 12,900,000	\$ 124,887,938			\$ 124,887,938	151,834,721
1989-90	\$ 137,443,754	\$ 14,900,000	\$ 152,343,754			\$ 152,343,754	171,155,053
1990-91	\$ 150,102,548	\$ 14,900,000	\$ 165,002,548			\$ 165,002,548	166,715,271
1991-92	\$ 160,921,867	\$ 14,000,000	\$ 174,921,867			\$ 174,921,867	163,797,710
1992-93	\$ 148,066,128	\$ 15,800,000	\$ 163,866,128			\$ 163,866,128	133,700,856
1993-94	\$ 131,987,250	\$ 15,200,000	\$ 147,187,250			\$ 147,187,250	164,200,572
1994-95	\$ 158,203,928	\$ 15,767,500	\$ 173,971,428			\$ 173,971,428	167,096,211
1995-96	\$ 155,989,442	\$ 15,369,144	\$ 171,358,586			\$ 171,358,586	174,008,217
1996-97	\$ 169,508,614	\$ 16,235,242	\$ 185,743,856			\$ 185,743,856	181,914,000
1997-98	\$ 170,013,140	\$ 17,320,805	\$ 187,333,945			\$ 187,333,945	180,794,012
1998-99	\$ 160,750,673	\$ 16,100,529	\$ 176,851,202			\$ 176,851,202	169,206,834
1999-00	\$ 149,068,160	\$ 14,143,308	\$ 163,211,468			\$ 163,211,468	169,370,602
2000-01	\$ 153,228,052	\$ 14,085,239	\$ 167,313,291			\$ 167,313,291	175,052,857
2001-02	\$ 163,823,091	\$ 15,827,722	\$ 179,650,813	\$ 325,578		\$ 179,976,391	163,896,890
2002-03	\$ 157,430,070	\$ 15,519,430	\$ 172,949,500	\$ 358,194		\$ 173,307,694	144,899,599
2003-04	\$ 168,855,591	\$ 15,147,428	\$ 184,003,019	\$ 249,072		\$ 184,252,091	153,631,633
2004-05	\$ 222,488,599	\$ 20,192,425	\$ 242,681,024	\$ 183,396		\$ 242,864,419	159,498,069
2005-06	\$ 259,147,531	\$ 24,190,831	\$ 283,338,362	\$ 319,132	\$ 36,192,252	\$ 319,849,746	158,835,584
2006-07	\$ 271,951,536	\$ 26,019,184	\$ 297,970,720	\$ 191,191	\$ 86,304,922	\$ 384,466,833	161,237,538
2007-08	\$ 307,628,802	\$ 27,364,126	\$ 334,992,928	\$ 327,599	\$ 84,387,752	\$ 419,708,280	165,750,817
2008-09	\$ 343,381,241	\$ 35,615,344	\$ 378,996,586	\$ 1,869,178	\$ 77,275,757	\$ 458,141,521	144,017,758
2009-10	\$ 367,481,270	\$ 34,459,351	\$ 401,940,621	\$ 374,012	\$ 78,873,792	\$ 481,188,425	143,247,932
2010-11	\$ 412,091,626	\$ 37,742,774	\$ 449,834,400	\$ 754,463	\$ 76,983,527	\$ 527,572,390	137,498,509
2011-12	\$ 420,771,746	\$ 39,305,307	\$ 460,077,054	\$ 1,398,481	\$ 71,030,962	\$ 532,506,496	129,107,370
2012-13	\$ 350,950,154	\$ 35,691,233	\$ 386,641,387	\$ 114,567	\$ 65,004,660	\$ 451,760,614	117,518,279
2013-14	\$ 320,242,987	\$ 23,174,978	\$ 343,417,965	\$ 166,912	\$ 63,729,623	\$ 407,314,500	116,900,140
2014-15 * **	\$ 276,715,111	\$ 34,453,053	\$ 311,168,164	n/a	\$ 64,390,147	\$ 375,558,311	109,500,000
	7,907,520,138	739,024,953	8,646,545,091	6,631,777	704,173,393	9,357,350,262	6,436,569,109

* 2014-15 tax data represents the latest information from the Department of Tax & Revenue

** 2014-15 coal production data represents an estimate based on current YTD production

Local coal severance tax collections rounded to nearest \$100,000 prior to FY1995

COAL SEVERANCE TAX REVENUE

FISCAL YEAR	NET STATE TAX COLLECTIONS	LOCAL COAL TAXES	TOTAL STATE &			CY Production	
			LOCAL COAL SEVERANCE TAX	WASTE COAL	WC Severance		Grand Total
1999-00	\$ 149,068,160	\$ 14,143,308	\$ 163,211,468			\$ 163,211,468	169,370,602
2000-01	\$ 153,228,052	\$ 14,085,239	\$ 167,313,291			\$ 167,313,291	175,052,857
2001-02	\$ 163,823,091	\$ 15,827,722	\$ 179,650,813	\$ 325,578		\$ 179,976,391	163,896,890
2002-03	\$ 157,430,070	\$ 15,519,430	\$ 172,949,500	\$ 358,194		\$ 173,307,694	144,899,599
2003-04	\$ 168,855,591	\$ 15,147,428	\$ 184,003,019	\$ 249,072		\$ 184,252,091	153,631,633
2004-05	\$ 222,488,599	\$ 20,192,425	\$ 242,681,024	\$ 183,396		\$ 242,864,419	159,498,069
2005-06	\$ 259,147,531	\$ 24,190,831	\$ 283,338,362	\$ 319,132	\$ 36,192,252	\$ 319,849,746	158,835,584
2006-07	\$ 271,951,536	\$ 26,019,184	\$ 297,970,720	\$ 191,191	\$ 86,304,922	\$ 384,466,833	161,237,538
2007-08	\$ 307,628,802	\$ 27,364,126	\$ 334,992,928	\$ 327,599	\$ 84,387,752	\$ 419,708,280	165,750,817
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2011-12	\$ 420,771,746	\$ 39,305,307	\$ 460,077,054	\$ 1,398,481	\$ 71,030,962	\$ 532,506,496	129,107,370
2012-13	\$ 350,950,154	\$ 35,691,233	\$ 386,641,387	\$ 114,567	\$ 65,004,660	\$ 451,760,614	119,456,757
2013-14					\$ 65,464,078	\$ 407,300,000	116,900,140
2014-15					\$ 56,173,376	\$ 314,900,000	100,309,600
TOTAL	\$ 7,310,562,040	\$ 681,396,922	\$ 7,991,958,962	\$ 6,464,865	\$ 440,018,002	\$ 9,296,677,451	6,429,317,187

State	Basic coal severance tax*
Illinois	0
Indiana	0
Kentucky	4.5% of selling price
Maryland	\$0.15/ton deep or \$0.17/ton surface
Ohio	\$0.10/ton + \$0.12 + \$0.12-\$0.16/ton depending on reclamation fund
Pennsylvania	0
Tennessee	\$1/ton
Virginia	Depends on need of reclamation fund + (local) 2% of gross price
West Virginia	5% of selling price + \$0.56/ton
*These are the primary basic rates for which there may be internal variations in some states	

State Government Severance Tax Collections (000's): 2011

State	Severance Collections	Severance Tax Rates
West Virginia	\$ 626,203,000.00	5%
Kentucky	\$ 295,836,000.00	4.50%
Pennsylvania	\$ 202,000,000.00	0%
Ohio	\$ 10,182,000.00	3%
Maryland	\$ 13,800,000.00	4.60%

Source: CARN Survey, http://carnnet.org/docs/CARN_SeveranceTaxReport.pdf

TABLE 3

Effective Severance Tax Rates for Top Severance States, 2007

Rank	State	Mining, Oil, and Gas Total Value	Severance Tax Revenue	Effective Rate
1	Alaska	\$21.7 billion	\$2.4 billion	11.2%
2	North Dakota	\$4.1 billion	\$391 million	9.6%
3	Montana	\$3.5 billion	\$264 million	7.5%
4	New Mexico	\$17.4 billion	\$942 million	5.4%
5	Kentucky	\$7.5 billion	\$275 million	3.6%
6	Wyoming	\$22.1 billion	\$803 million	3.6%
7	West Virginia	\$10.2 billion	\$328 million	3.2%
8	Oklahoma	\$34.2 billion	\$942 million	2.8%
9	Texas	\$101.9 billion	\$2.7 billion	2.7%
10	Louisiana	\$44.0 billion	\$904 million	2.1%

Source: U.S. Census Bureau, 2007 Economic Census and 2007 Annual Survey of State Government Tax Collections.

Selected State Government Tax Collections (000's):

State	Sales/Gross Receipts	Corporate Income Taxes	Severance Taxes / Impact Fees	Individual Income Taxes	Documentary & Stock Transfer Taxes
Texas	\$24,500,909	\$0	\$3,655,582	\$0	\$0
Pennsylvania	\$9,166,842	\$1,837,374	\$202,000	\$10,102,113	\$342,506
Ohio	\$8,272,728	\$117,446	\$10,182	\$9,029,657	\$0
Michigan	\$9,565,702	\$608,829	\$64,285	\$6,827,913	\$134,987
Colorado	\$2,302,333	\$492,224	\$175,090	\$4,875,627	\$0
Oklahoma	\$2,415,964	\$446,009	\$848,947	\$2,774,376	\$12,570
Louisiana	\$2,815,919	\$290,389	\$885,982	\$2,474,606	\$0
Arkansas	\$2,809,416	\$404,083	\$82,770	\$2,401,902	\$25,750
West Virginia	\$1,277,328	\$192,385	\$626,203	\$1,755,746	\$8,128
Totals	\$63,127,141	\$4,388,739	\$6,551,041	\$40,241,940	\$523,941

2012
Total State Tax Collections
\$28,156,491
\$21,650,835
\$17,430,013
\$17,201,716
\$7,845,274
\$6,497,866
\$6,466,896
\$5,723,921
\$3,859,790
\$114,832,802



A State Earned Income Tax Credit (EITC) FOR WEST VIRGINIA

The federal EITC lifts 6.5 million Americans - half of whom are children - out of poverty. A State EITC in West Virginia can build on that success.

HELPING WEST VIRGINIA WORKING FAMILIES

158,000

West Virginia Families Would Benefit

A state EITC would especially help West Virginia children, more than one in four of whom live in poverty.

\$332 AVERAGE TAX CREDIT

Set at 15 percent of the federal credit, a state EITC would provide an average benefit of \$332 to those eligible and put \$52 million back into local economies in West Virginia.



1 in 5 WEST Virginia families could better afford basic needs.



MAKING ENDS MEET

Helps West Virginia's working families pay living expenses

Families tend to use their EITC refunds on housing, groceries, childcare, transportation and health care costs, as well as to pay off debt and invest in education.

LASTING IMPROVEMENTS IN THE LIVES OF CHILDREN

The EITC lifts children out of poverty and is associated with healthier babies, improved educational outcomes, and higher rates of employment and earnings later in life.



HEALTHIER BABIES

An expanded EITC is associated with improvements in birth weight and fewer premature births.



BETTER EDUCATIONAL OUTCOMES

Raising family income through refundable tax credits makes it more likely that children will attend college.



INCREASED EARNINGS

Adding \$3,000 a year in EITC income to families with young children is associated with a 17 percent increase in those kids' annual earnings as adults.

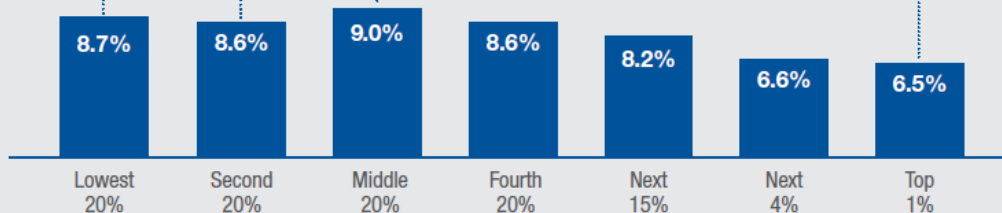
INCREASING FAIRNESS IN WEST VIRGINIA'S TAX SYSTEM



The state currently has an upside down tax system. An EITC would increase tax fairness and is an essential part of tax reform.

Low- and middle-income West Virginians pay about 9 percent of their income in state and local taxes.

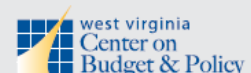
The very highest earners pay only 6.5 percent.



Sources:

- Center on Budget and Policy Priorities, "Policy Basics: State Earned Income Tax Credits," <http://www.cbpp.org/research/state-budget-and-tax/policy-basics-state-earned-income-tax-credits>
- U.S. Census Bureau, "2013 American Community Survey 1 Year Estimates," http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_1YR_S1901&prodType=table
- Internal Revenue Service, "Statistics for Tax Returns with EITC," Tax return data for tax year 2013, <http://www.eitc.irs.gov/EITC-Central/eitcstats>
- Chuck Marr, Chye-Ching Huang, Arloc Sherman, and Brandon Debot, "EITC and Child Tax Credit Promote Work, Reduce Poverty, and Support Children's Development, Research Finds," Center on Budget and Policy Priorities, <http://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens>
- Institute on Taxation and Economic Policy, "Who Pays? A Distributional Analysis of the Tax System in All 50 States," <http://www.itep.org/pdf/whopaysreport.pdf>

BROUGHT TO YOU BY:





WEST VIRGINIA FARM BUREAU

2015 TAX POLICIES

49. SCHOOL FUNDING

The State of West Virginia currently allocates over \$1 billion annually for education, including higher education. Additionally, approximately 70% of the counties' property taxes comprise the local share for county school boards.

School financing needs to be shared by all the citizens of the state, not just property owners; therefore, West Virginia Farm Bureau encourages the legislature to develop a school financing plan that would be equitable to property and non-property owners.

In addition, we urge funding be continued to rural county budgets to offset high costs of rural transportation. We also recommend funding be added for building maintenance.

69. GENERAL POLICY ON OIL & GAS

West Virginia Farm Bureau recognizes the importance of the oil and natural gas industry to the State of West Virginia and supports the responsible development of this industry, provided adequate protection is afforded to the state's agricultural and other natural resources. Farm Bureau recognizes the importance of private property rights in our society and supports the rights of land and mineral owners to negotiate freely with other parties, but recognizes that certain proposals for unitization for oil and gas extraction may create opportunities for Farm Bureau members which outweigh any objections to the process.

Farm Bureau believes that land use decisions should be made only after consideration of the impacts of any land use decision on the entire property, and that severance of the surface and subsurface estates is not only ill-advised as a matter of agricultural policy, but unduly burdensome to the eventual owners of each estate, and to our government for record keeping. Farm Bureau supports proposals that bring about the reunification of the surface and subsurface estate in all circumstances where the owner of a subsurface estate is missing, unidentifiable, unaccounted for, or fails to pay the mineral taxes.

Moreover, Farm Bureau believes that proceeds from extractive industries should accrue to the benefit of those who own and harvest those resources, and those from whose lands these resources are extracted. Farm Bureau supports proposals that direct the payments due an unidentifiable, missing, or unaccounted for mineral owner under an existing lease agreement to the owner of the surface estate rather than to the State of West Virginia, and the eventual reunification of the mineral estate with the surface estate in cases where the owner of the mineral estate is unidentifiable or cannot be found. In circumstances where any portion of the

subsurface estate is sold by a governmental entity for nonpayment of taxes, the owner of the surface estate should be given a right of first refusal to purchase that portion offered for sale.

Farm Bureau is concerned about the removal of surface acreage from agricultural (cropland, pasture, hay and forestry) production to accommodate the needed infrastructure for oil and gas extraction. Farm Bureau believes that conservation of West Virginia's farmland is essential to meet the growing demands for food and fiber production in America. Moreover, we support proposals that ensure landowners are adequately compensated for damages caused by the extraction of subsurface resources both in the short and long terms. We also support proposals requiring equal agriculture representation on the West Virginia Oil and Gas Conservation Commission.

70. TAXATION OF OIL AND NATURAL GAS LIQUIDS

Farm Bureau believes in the fair apportionment of taxes and supports the farm use valuation for agricultural land as a means to encourage land to stay in agriculture production. We support proposals which ensure a landowner's tax burden is not increased by the location of oil or gas extraction or processing point. Severance taxes should be calculated based on the wellhead production of oil, gas and natural gas liquids and valued at the point of an arm's length sale.

As for the oil and gas industry, we share the belief that natural resource extraction can be an important part of West Virginia's economy for the foreseeable future, but we expect the tax burden associated with harvesting these resources to be borne by the industry, not by West Virginia farmers (surface owners).

78. FARMLAND PROTECTION

West Virginia Farm Bureau supports the preservation of agricultural land for future generations' production of food and fiber. WVFB favors changes to the capital gains and income tax portions of the WV Tax Code, which will enhance the donation of land. WVFB believes counties should have the ability to purchase perpetual easements or long-term leases of the property's development rights.

WVFB supports appropriate federal and state legislative changes to the Farmland Protection Program to allow a county option for timber harvesting and the exploration of oil and gas on protected lands as long as it requires a minimal footprint or maintains the integrity of the land. WVFB supports the use of tax revenue generated from businesses who profit from the exploitation of land (development of utility rights-of-way, gaming, hotel/ motel tax and natural resource extraction) to purchase development rights as perpetual easements or long-term leases.

169. AGRICULTURAL LAND & REAL ESTATE TAXATION

Real estate taxation should be fair and in conformity with existing constitutional limitations. It is fundamental to remember that property owners also pay all other taxes. The farmer is especially vulnerable to unfair property tax or assessments because of the amount of land necessary to farm.

West Virginia Farm Bureau endorses the statewide review of taxation, but believes the fair treatment of owner occupied residences and farmland is essential to stable rural communities and must remain so. Dwellings that are not owner occupied are taxed at the Class III rate, even if the dwellings do not generate any income. We recommend that all non-income producing dwellings be taxed at the Class II rate.

Agricultural land and managed forestland should be valued as a tool in the production of food and fiber – not on a speculative or other potential use basis. We oppose any change in West Virginia’s property tax methodology, particularly for farmland and managed timberland, which would depart from the “present-use” method of arriving at value.

Property taxes are slowly, but constantly, increasing each year. The WV State Tax Department is pressuring local assessors to increase property tax assessments. Reassessment is limited to occur once every ten (10) years. Only elected officials should be able to raise taxes, not appointed officials who are not held accountable to taxpayers.

Taxes from farm and forestland, presently and historically, generate much more in tax revenue than they demand in services compared to suburban and urban acreage. Therefore, we support the pursuit of a fair and equitable property tax law, for rural landowners.

When farm use valuation has been established by meeting federal guidelines, we recommend automatic renewal unless use or ownership changes. WVFB recommends that the State Tax Department enforce its current farm use valuation policy uniformly across the state.

Timber from farm woodlots should be considered an agricultural crop for the purposes of farm use valuation. In the year that a timber sale occurs and income from timber sales from farm woodlots exceeds other agricultural production, timber sales should be pro-rated or averaged by the number of years since the last harvest, rather than on an annual basis when determining farm use valuation.

We oppose any excess acreage tax as negatively affecting agriculture or economic development. We further recommend that retired farmers or farmers approaching retirement age be encouraged through tax incentives favorable with respect to the landowner to keep their farmland in production.

Farm Bureau supports legislation that would allow property taxes to be paid on a monthly installment basis at the option of the landowner.

171. FOOD TAX

West Virginia Farm Bureau supports reinstating the food tax as a broad based tax.

172. ROLL-BACK TAXES

West Virginia Farm Bureau is opposed to any roll-back taxes.

173. VALUE-ADDED TAXES

West Virginia Farm Bureau opposes value-added taxes.

174. DEATH TAX

West Virginia Farm Bureau supports the permanent repeal of the Inheritance Tax (also known as Death Tax or Estate Tax) on the state and federal level.

175. AGRICULTURAL OPERATIONS & INCOME & SALES TAX

West Virginia Farm Bureau supports continuation of the Sales and Use Tax Exemption for Agriculture. When materials and/or equipment are consumed in the production of wealth in the form of food and fiber they should be exempt from sales and use taxes.

Farmers are being unfairly assessed taxes on the purchase of ATVs for farming purposes. We recommend the following change to WV Code 11-15-36, subsection F (Exemptions), adding a ninth exemption: "The tax imposed by this section does not apply to the registration of an all-terrain vehicle owned and titled in the name of a resident of this state who is a farmer, if the applicant is purchasing the all-terrain vehicle for use in his/her farming operations."

176. WEST VIRGINIA SALES AND SERVICE TAX AND USE TAX EXEMPTION CERTIFICATE

Currently the West Virginia Sales and Service Tax and Use Tax Exemption certificate is completed by the consumer and kept on file by the supplier for all exempt sales on or after July 1 biennially. West Virginia Farm Bureau recommends the law be changed to require completion of this certificate every five years, rather than every two years.

177. SEVERANCE & EXCISE TAXES

West Virginia Farm Bureau believes severance taxes and excise taxes should be reviewed with respect to necessity as a source of revenue. All timber severance and excise taxes should be dedicated to the Division of Forestry rather than general revenue. Timber excise tax should include a \$15,000 tax exemption for small producers.

178. AGRICULTURE & B&O TAXES

West Virginia Farm Bureau supports the repeal of all B&O taxes.

179. HIGHWAY USER TAXES

West Virginia Farm Bureau believes highway user taxes should only be allocated for highway maintenance and construction, not paved bicycle and walking trails.

180. HOMESTEAD TAX EXEMPTION

West Virginia Farm Bureau favors the Homestead Tax Exemption to be limited to senior citizens, and to those legally disabled as determined by the Social Security Administration and/or Veterans Administration, and who have been residents for at least five years. We support increasing the exemption to \$40,000 and adjusting it periodically for inflation.

181. STATE INCOME TAX EXEMPTIONS

West Virginia Farm Bureau asks that the state income tax be amended so personal exemptions and deductions are the same as in the federal law.

183. TAX ON FLAVORED MILK

West Virginia Farm Bureau considers flavored milk an agricultural commodity, not a soft drink, and favors amending the state soft drink tax law to exempt flavored milk.

184. AGRICULTURAL USE STRUCTURES

West Virginia Farm Bureau supports a real property tax exemption on structures used for agricultural production facilities.

185. UNEMPLOYMENT COMPENSATION TAX ON PRODUCERS OF AGRICULTURAL COMMODITIES

West Virginia Farm Bureau opposes the extension of the unemployment tax on the producers of agricultural products, whether or not such products are used or sold by the producer in their natural or processed state.

186. TAX FREE PROPERTIES

Much wealth has been accumulated by tax-exempt charitable organizations, religious sects and educational foundations, many of whom engage in for-profit activity.

West Virginia Farm Bureau believes that property actually used for religious or charitable purposes should be free from taxation, and income-producing property should be taxed.

187. STATE PAYMENTS IN LIEU OF TAXES

Many rural West Virginia counties have large amounts of land that are owned by the state government. These counties should receive payment in lieu of taxes.

West Virginia Farm Bureau supports legislation that will require the state government to pay to each county annually an amount of money equal to taxes paid on private land of similar character.

WEST VIRGINIA PROPOSED LEGISLATION 2015 SESSION

1. Rent is the annual payment for the use of land which exists because the nearby community is willing to pay a price to use that site for a period of time. It is the economic surplus attributable to Nature's topography, society's infrastructure and economic activities. Sites near population cost more than sites out in the rural areas. Rent is therefore a **social value**. Individual owners play no specific role in making land rent. Rent therefore in **morals** belongs to all the population. Governments should operate morally. Regardless of West Virginia's current property tax system, when land is taxed it is the **rent** which gets collected. Today most of the rent of land (at least 70%) goes to private persons, not to public benefits.
2. Any tax system results in some sort of economic reaction. When land is taxed it's likely sale price gets reduced. The primary math formula of real estate is **Income (rent) divided by an interest rate equals value**. If the income gets reduced (thru taxation) there is less net income to divide by an interest rate, so less value results. Low land taxation results in high land values. Higher land taxation results in lower land value. Labor and capital love low land values. (easier to find job opportunities)
3. Numerous authorities down thru the ages have spoken of **the need to eliminate land as a commodity**. If rent were to be fully taxed land would no longer have any sale price. Land would then be classed as "Common property" just like the sky, air, clouds, rain, natural resources, media spectrum, etc. Early humans knew better than to sell the earth. Common property should be shared by humans, and animals, because it is essential for our life. When the common property is in a state of oligopoly some humans are denied life essentials. 95% of our land is owned by 4% of our population.
4. The taxation of labor and capital causes wages and interest to decline, and prices to rise, which is a robbery of human effort. Examples are the

taxation of income, sales, improvements, and profits.

5. Increasing land taxes will drive economic production—because owners will be encouraged to make highest and best use of their land in order to yield sufficient rent so as to pay any higher land tax. You may have noticed vacant land—this usually is low taxed land. Idle or speculated land employs no one. **When we tax the land we are taxing land into use—thus driving the economy.**

6. Some WV land is owned by people who live in other states. Obviously they play no role in creating the rent of WV land, and not having performed any service for us here in WV, do not deserve to keep any land value or rent for themselves. (isn't it interesting how morals keeps getting ignored by academic economists?)

7. Several other nations and states make better use of land taxation than we; New Hampshire, Denmark, Taiwan, New Zealand, Australia, Hong Kong, Singapore, Alberta, British Columbia, 20 two-rate Pennsylvania cities, Arden , Delaware, not to mention Fairhope, Alabama, which taxes ALL of the rent of land. **Land taxation is critical to economic development.** Other aspects of life, language , religion, nationality, race, culture, however important, plays no role in economic development. **Human access to sites and natural resources lead to successful jurisdictions.** When labor and capital cannot gain access to these critical economic factors, they are out of business. Land in the desperately poor and troubled countries is either not taxed or owned by a few families or corporations, or both.

8. I am proposing that **McDowell County** be used to demonstrate the value of higher land taxation. It could be phased in over 15 years. Only a few simple reforms would be required to implement. The assessor would have to re-appraise all land parcel's current value, then calculate it's annual rent. Local real estate dealers could be asked to help, or if necessary hire trained appraisal help. Annual re-appraisals of every parcel should be

routine. Begin the taxation reform in year one by taxing 25% of the rent. Then year two tax 31% of the rent. Each year thereafter increase land taxes by 6%. By year 14 or 15 all of the rent would be tax-collected and used for public benefits, instead of private gain. The formula to find the rent of land; Current appraised value X current interest rate = a value, plus the current land tax = the annual rent of land. (6th grade math)

9. Item 4 above points out what is commonly called labor and capital. The other important aspect to this reform is to gradually phase out all taxation of these economic aspects. (sales, income, profits, improvements and fees). It could easily be done over 15 years.

10. Legislatures usually fear loss of continued government services and fear reaction from voters when reformers propose reduction of taxation. However many folks have little notion of the vast amount of funding land taxation could provide. The McDowell Co. untaxed rent probably is worth \$1,000,000 per year, currently going to private owners. In the past 60 years Class 2 McDowell Co. land value has increased 10 times. Important government spending activities —education, highways, policing, administration, hospitals, and parks could all be adequately financed by the taxation of land. In Calhoun Co. where I live, Class 2 land values have increased 31 times during the last 60 years. It shouldn't take a college degree to figure out why wages and interest have fallen.

11. As is already practiced, a percent of all levies —should be forwarded on to the State to finance the usual State budget. After this suggested reform all these levies will be derived from the land!

12. I advocate the Legislature begin this economic reform as soon as possible.
 - a) Phase out all taxation of sales, incomes, buildings, profits, and fees over 15 years.

b) Gradually increase land taxation over 15 years, so that all of the **likely** annual rent of land will be collected.

13. Likely benefits of this reform—unemployment, poverty, homelessness, slum housing, out-migration will go away. In as much as **high land value (low taxed) is the chief cause of economic disaster**, so under the full taxation of the rent of land owners will seek highest and best use—there won't be any net rent to capitalize into sale price, **so land will no longer be for sale**. No matter how high the land tax, land can still be used by labor and capital to produce wealth. Making jobs at good wages will be our system. West Virginians who have left this state for jobs elsewhere will not have to wait to retire and return—they can return NOW. Citizens of the other states may also consider migrating here.

14. When land is taxed higher owners will have two options—(1) sell while land still has a value, or (2) seek highest and best use. Business-minded people will likely turn to this 2nd option, quickly offering to buy land from these folks who decide to sell out. After all when labor and capital are to be down-taxed, plus an incentive to make optimum use of well-sited land, McDowell Co. will contain THE basic factors of our free enterprise system. "Boom and Bust" will be history. **Taxing the land collects the rent of land—not wages or interest.**

I am willing to counsel the Legislature in this proposal.

Carl F. Shaw CFSshaw@Frontiernet.net 1019 Kerby Ridge Road,

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23 Jan. 2015

LAND RENT TAXATION ==A SHORT EXPLANATION

1. Any land of value is worth so much RENT per year.
2. Land RENT is a social product—not attributable to ownership, an economic surplus, created by our total economy.
3. All of the RENT of land in MORALS, should be publicly taxed to pay for our government services. (starting with roads)
4. When land is taxed it is the annual RENT which gets collected.
5. When land RENT gets taxed land owners will try to develop Highest and Best use, so as to be able to pay for any increase in land taxation.
6. Of course when land taxes are increased land owners could elect to sell their land, but forward looking owners will keep their land and attempt to economically develop it.
7. To make the economy work better, as land taxation gets increased, all taxation of labor and capital should be phased out. It is unfair to tax labor and capital. (such as income, sales, building, profits and fees) which increase costs, and robs labor and capital. Taxing labor doesn't encourage production.
8. The Federal Government could do something to encourage local government to increase land taxation, while at the same time to phase out the other taxes.
9. Taxation usually means a taking. "Land taxation", is not the usual process, because taxing land RENT is getting us to pay for the space we occupy.
10. When wealth, (goods and products) are taxed the selling price is increased.
11. When land is taxed the land sale price will fall---when all of the annual RENT gets taxed land will no longer have a sales price.
12. The Formula is: $\text{Income, less taxes, } \div \text{ interest rate} = \text{value}$
13. Through the ages intelligent, forward looking philosophers have urged that land be treated as a common property, not a commodity.
14. When all the land RENT gets taxed we will have reached that goal.
15. The more land gets taxed the more owners will try to reach Highest and Best use. Capitalism results.
16. Low taxed, idle and vacant land produces NO wealth or employment.
17. When much more of the annual RENT gets taxed ultimately unemployment, out-migration, poverty, and homelessness, and slum housing will be GONE.
18. Depressions occur when labor and capital can not afford land. (1929, 2008) Depressions are not caused by an excess of wealth.

19. For a landowner to be allowed to keep any part of the RENT of land denies the public its rightful title to its product—RENT.
20. Higher land taxation benefits the economy, and provides society with a great fund of money heretofore denied the population.
21. For years so-called standard economists claimed that the single tax (collecting only the RENT of land) would not adequately provide sufficient funds to support government.
22. If you will do 30 minutes worth of math calculation you will discover that the un-taxed RENT is in the millions of dollars per county per year. (here is the method --land assessment, 60% of actual value, \therefore by 60% = market value, take assessed value X tax rate = land tax expected, then market value X 4% = a product + the tax collected, = the rent of land. Then take the rent minus the tax = un-taxed rent)
23. Vast public services (roads, schools, hospitals, salaries, libraries, concert halls, phys - ed buildings, museums, etc.) could be provided to society when all of the RENT gets collected.
24. The single tax will provide labor and capital with an increase in wages and interest.
25. Human wants are without limit.
26. The single tax will establish an economic system completely different from our current Boom & Bust.
27. Our grand -children will ask, “Why did our grand-parents struggle with an economic system which tolerated, high land prices, taxes on labor and capital, unemployment, poverty, out-migration, homelessness, and war? “
28. How much longer will governments ignore land reform, and put up with the conditions listed in number 27 above?
29. There are numerous examples of jurisdictions which tax land higher—and all demonstrate economic success--- but so far the landed interests stand in the way of the full taxation of the rent of land.
30. When explaining increasing land taxation to the general public one MUST explain all of the above.

Carl F. Shaw

23 Sept. 2015

VARIOUS TAXES AND THEIR ECONOMIC EFFECTS

All taxation results in some type of reaction. It's better to encourage positive economic effects. All taxation of labor and capital results in increased costs of production-- amounting to reduced wages & interest. Let's phase out all taxation of labor and capital.

INCOME TAXES

- a) May originate from any source---salaries earned, investments, winnings, on labor, capital, & land rent.
- b) Rates may be higher on the wealthy.
- c) Laborers can not be expected to work harder when taxed.
- d) A degree of difficulty in completing forms.
- e) Several states do not use income taxation—they are at an advantage over states which do punish production via income taxes.
- f) Lots of incomes are from beneficial efforts—why tax those?

SALES TAXES

- a) A sales tax is a percentage based fee levied on merchandise by a vender at the time of sale. It could range from 1% up to many percents.
- b) Like the other types of taxation, it is used by governments to support needed public functions for services rendered.
- c) Sales taxation ends up affecting the poor more than the wealthier population. People of any status can eat only so much food.
- d) The public pays attention to taxes levied by the other states. So if VA or PA charges less sales tax than WV, folks living near the other states will travel there to save money.
- e) Vendors might illegally keep part of taxes collected—monitoring is required.
- f) Several states do not use sales taxation. Production there has an advantage over states which do use sales taxes.
- g) Labor and capital do not work harder when taxed.
- h) Taxing sales does not encourage labor or capital.

BUILDING OR IMPROVEMENT TAXES

- a) May be levied on residences, commercial, industrial, agricultural, educational, or recreational buildings.
- b) Tax rates are fixed by governments, @ so much per cubic foot.
- c) Rates may be lower on residential than other type structures.
- d) The annual improvement tax is equivalent to a 14.6% sales tax except that the improvement tax is repeated every year!
- e) Taxes on construction materials only add to over-all construction costs.
- f) Taxing buildings does not encourage labor or capital.
- g) Taxing improvements is counter productive.

LAND OR PROPERTY TAXES

- a) Any land of value is worth so much rent per year.
- b) It is the rent of land which gets collected when land is taxed. Labor's wages and capital's interest will not be affected.
- c) The rent of land is a public product—our economic efforts ultimately creates the social --locational value.
- d) We have to think Ethically --The **rent of land** belongs to all of society.
- e) For a long time we have allowed individual persons/corporations to buy and sell land as an investment. It's time we all share land values.
- f) Primitive Man had no idea of buying or selling the earth. (or sky, clouds, rain, resources, or air)
- g) When land (rent) is taxed the net (the part untaxed) gets capitalized to produce a sale price or value. Taxing rent reduces the net.
- h) Jurisdictions which tax land have established productive economies. Any nation you can think of which is doing well probably taxes the land. (USA, Canada, Australia, New Zealand, Norway, Taiwan, Switzerland, Denmark,)
- i) Nations which do not tax land are desperate places in which to live. (Africa, East Europe, South America, Middle East)
- j) Some Pennsylvania cities (about 20) have had years of experience in higher land taxation. Several of them offer wonderful examples of

development, economic progress, and social welfare. (Harrisburg for instance)

- k) Taxing land is easy—find current examples of land under lease, and send the owner a tax bill!
- l) Or find recent sales, multiply sale price by current interest rate, add the current amount of taxation, and you have the probable amount to tax.
- m) If you owned a vacant or little used lot in or near a city, and the city administration decided to increase land taxation over 15 years, they would inform you.
- n) You have two options; sell while it has a value, or think of how you can put the site to highest and best use. Perceptive buyers would like to have your land.
- o) Highest and best use will bring in money, allowing you to more easily pay the now higher land tax.
- p) Idle land employs no-one.
- q) H&B use means hiring unemployed labor and idle capital.
- r) It also means making better use of quality land.
- s) Making better use of quality land drives the economy, and results in higher wages & interest for labor & capital.
- t) We will have to explain to our grandchildren what Un-employment meant.
- u) Highly taxed Land will no longer have a sale price.
- v) Under full land rent taxation Calhoun Co. would have millions more dollars annually in tax revenue to use for public benefits.
- w) Under land rent taxation wages , autos, buildings, interest , would no longer be taxed:
- x) All we have to do is to talk hard to the Legislature. PA and NY are already there. Several other states are thinking about land taxation.

Respectively submitted, Carl Shaw 1019 Kerby Ridge Road, Mt. Zion, WV
26151 23 April 2015

PRIORITY THOUGHTS ABOUT LAND RENT TAXATION

NOTABLE QUOTATIONS

DEFINATION OF LAND RENT

Rent is the annual land value of the social surplus generated by society.

THREE PRIMARY SOURCES OF TAXATION

Land & natural resources--- owner receives Rent

Labor --- receives Wages

Capital --- receives Interest

Any land of value has first of all an annual **rent**

When land gets taxed it is the RENT which gets collected. (regardless of our current property tax system -- decimal rate, 60 percentage assessed value, Class 2,3,4.)

The primary factor which drives society is **economics**. (not race, religion, gender, nationality, political structure, etc.)

The primary real estate math formula is **Income ./ interest Rate = Value**

Specifics: Income (rent) minus a tax ./ interest rate = value

Income of \$1,000 less \$100 tax =Net \$900. ./ 4% = \$22,500. value

Income of \$1,000 less a higher tax of \$200. = net of \$800 ./ 4% = \$20,000.
Value

Taxing income lowers the value.

Taxing all of the rental income will abolish the value

Reducing value does not diminish land's usefulness.

\$1,000 rental income minus a tax of \$1,000 = zero net \therefore 4% = zero value.

People have a sense of fairness. Down through the ages thinkers have suggested that land should be freely available to everyone. Our current land system results in land value. Land value leaves some people without land. Five percent of Americans own 95% of the privately owned land.

Downtown Charleston land has recently sold for \$1,000,000. per acre. This location of land probably had a rental value of \$50,000 per year. A likely tax amount for this location would be \$14,000. So the net un-taxed rent would be \$36,000. per year.

Imagine some day when we tax ALL of the annual rent, we will not have to tax labor and capital. Land will not have a sale price. Every one who wants land will be able to obtain some. Un-employment and poverty will go away.

There are jurisdictions which do tax land higher than we do in WV. This is not a dream. Hundreds of Australian cities do not tax buildings. Neither does Altoona, PA, or the Fairhope, AL Single Tax Corporation.

When the land tax gets increased the owner has two options, 1. Sell his/her land, or 2. Seek highest and best use in order to generate sufficient income so as to be able to pay the higher land tax.

H&B use means hiring labor and capital, growing crops, or manufacturing a product, etc. Capitalism results.

Vacant land, or minimal use land is probably low taxed, or not taxed. No capitalism, no labor employed.

Jurisdictions which are losing population probably under- tax the land.

Since I retired here to WV Ohio Co. has lost nearly 7,000 people. People didn't leave here because no-one needed any more economic products, food, houses, clothing, computers, etc. We have an economic problem, not a political problem.

It is no coincidence that Jurisdictions which do tax land high are gaining population, and have full employment @ higher wages.

J.M. Keynes never wrote about land or land rent taxation. He advocated government taxing those who are working in order to generate jobs to support those not employed.

10 may 2015

Property Tax Reform—A Different Approach

Suppose our WV State Legislature enacted the following property tax reform law. This law would be phased-in over 15 years. It would apply to every land parcel in WV. The three tax classes we have been using, Class 2,3,and 4 which define present use of land would be ended, because from now on the primary consideration will be **value**, not use. The decimal tax rate system would also be ended, because from now on the actual annual rent of land will determine the owner's yearly tax obligation. And in as much as the actual yearly rent of land will be our primary value consideration, the 60% valuation system will no longer be used. These three features of property taxation only served to confuse people as to their tax obligation. From now on the actual annual rent of land will be the amount taxed.

The annual rent of land is a **community product, created by everyone**. So ethically rent belongs to everyone. Currently most of the rent of land goes to private individuals. Rent exists because the population is willing to pay an owner so much per year for the right to use a given parcel. Location is everything. Remember the old question about real estate, —“What are the three main features of land value? Answer “location, location, location “ Low population, land out of the city, equals low value. But Downtown , where streets are a few hundred yards apart and paved, near the business world, land is 800 times more valuable than rural. The greater the population and business activity, the greater the rent. We all should share the rent of land, via taxation. This is a moral position.

In compliance with reform, starting next year all other taxes will be phased out—over 15 years --income taxes, sales taxes, building taxes, profit taxes, and license fees will be gradually phased out. Most of these only increase prices of things people buy, they don't make people work harder. These kinds of taxes could be viewed as a punishment for having produced. By 2030 none of these taxes will trouble us again.

Starting in 2016 all land would be appraised by our assessors as to its probable yearly rental value. This may sound difficult, but it is actually an 8th grade math question. Owners already have some idea of what they could charge a lessee per year to use the owner's land. And mathematically an appraiser can calculate land rent when given a recent sale price, the interest rate, and any current property taxes levied. An appraiser or assessor then multiplies this sale price by the current interest lending rate, then adds the current land tax amount to get the likely rental. This system should be gradually phased in over 15 years.

To begin this type tax system, determine what percent of the rent is being taxed at present, (let's say for example that about 20% of the rent of land leasing for \$1,000. or \$200. is taxed). Let's assume that this \$1,000. is the likely gross rent. Then determine how much more to add to the tax bill each year over the next 15 years, to eventually get to the point where all of the potential rent (\$1,000) will be taxed to support our government. Add about \$53.00 each year for 15 years to the owner's present tax bill, and we will eventually reach the \$1,000 rent. Now don't be taken aback by having to pay \$1,000 land tax per year. Residential lots in good neighborhoods are now selling for \$100,000. mortgaged @ 4% per annum, for 25 years. Our average population already pays this much or more on both land and improvement. Some cities in Pennsylvania using the two rate property tax system, have found that most property owners actually save money when land gets taxed higher and improvements taxes are reduced. Under my tax reform improvements will no longer be taxed. And \$1,000 rental land is likely well situated land—perhaps a commercial use could be developed on this site.

The total land rent of our communities is GREAT, and few of us are knowledgeable. Calhoun County's annual land rent is in excess of \$5,000,000. per year. Only about \$733,000. of the present rent is now being collected. After our new Tax Reform system is initiated, and all of this \$5M is collected for all of the community's benefit, the public will **want** this system to be used. In time the population will be pleased that all of the potential rent of land will be paying for public benefits, while their wages and interest will not be taxed. Probably half of the funds collected by the county will be sent to the State, because when income and sales taxes are abolished our State Government will need some other

financial source. A current funding issue is how to pay for highways? Probably the 3 or 4 priority spending questions for governments today are roads, education, health care, police, and employee salaries. All roads make land valuable. That's how land gets its value. Do you know of land which lacks a road? All roads should be created and maintained via land taxation—not by drivers, auto sales taxes, trucking firms, fuels, tolls, etc.

Of course land owners will still be able to question assessor's valuations, or procedures.

The present use, (or non-use) to which land is being put will no longer be of consequence in valuation. Land should be valued continually according to market demand, not who owns it, whether in use or vacant, or type of business operating on the site.

Land will continue to be bought and sold, but as the total rental income eventually gets taxed, there will be no net amount to capitalize into a value – so eventually land will no longer have a sale price. Profitable land sale prices will disappear. Down thru the ages thinkers have advocated that land not be used as a commodity. Our new land tax system will fulfill this ethic.

Better quality land, tillable and near cities will be preferred, where higher wages can be expected. Those who up until now could not afford more valuable land, and who choose to reside out in the country where less valuable land could be readily purchased, can now move near to population centers. Their wages can be expected to increase, and will not be taxed!

Production won't be taxed, so the many items we all need will be cheaper to buy.

Much higher land taxation will encourage owner's to seek highest and best use. Unemployment will disappear—and poverty, and out-migration with it.

When only rent is taxed and wages and interest un-taxed, workers and capitalists will be able to keep all of their earnings. No matter how high land gets taxed wages and interest will be un-taxed under this reform system.

For years world wide some of these features have been employed. But for various reasons no taxing jurisdiction has used this moral system in its entirety.

When West Virginia institutes this reform, and works out any glitches, jurisdictions elsewhere will climb aboard. Poverty, unemployment, struggle, unequal wages, social unfairness, have been characteristic of our boom and bust system. Monarchy and dictatorship already have run their course, and will be but a curious feature of history. Future populations will wonder WHY the world used such unfair economic systems? Rent sharing has been known of for over 3000 years.

Numerous knowledgeable people will testify for this economic system. You will have no trouble finding Nobel economists speaking for land rent taxation.

Carl Shaw 25 May 2015

TWO CONTRASTING CITIES FAIRHOPE, ALABAMA

A Georgist Trust founded in 1894, by 25 idealists, from various states, including the organizer, Mr. E.B. Gaston of Iowa. He talked these people into going to SW Alabama, buying 132 acres of idle land for \$771. Later the group purchased 200 additional acres for \$250. Since then thousands of acres have been acquired. The group wrote a new city charter—unlike any ever written, as it **guaranteed equal economic and land rights to each member.** Members signed leases which were renewable and transferable to run for 99 years. Prospective members are required to take an economics class so as to understand the principles under which Fairhope was founded. A membership fee of \$200. was required, later reduced. **The original intention was to tax only the rent of land.** This system obviates any net rent capitalization, so rules out any sale price of land. Eventually the trust land being taken up, new arrivals since bought near-by and adjoining land. Today trust land equals about 20% of total city land. The 2010 census showed Fairhope had a population of **16,176**, is not the county seat, but largest city in Baldwin Co. Alabama. The 2009 median household income was \$53,497. Unemployment for those over age 25 = **2.4%**. Population change during 1990's = **34%** increase. Building permits issued 2005 - 520 permits, avg. cost = \$187,700. 2006 - 375 permits, avg. cost \$272,600. Since the Great Recession-- 2010 152 permits were issued, avg. cost = \$239,100.

Today there are two jurisdictions which govern Fairhope, "The Fairhope Single Tax Corporation" and the regular City of Fairhope. Today Alabama State property tax law dictates procedures and involves current market value, the taxpayer's taxable income, certain deductions, and the usual millage rate system (.0065 mills). Unfortunately both land and improvements are taxed today.

GRANTSVILLE, WV

Settled by Eli Riddle in 1820's. Land owned by Simon and Ruth Stump in 1866. Named after President U.S. Grant. County electorate voted in 1869 that Grantsville be made county seat. This was disputed by Arnoldsburg several times, court house was burned down in dispute. City founded in 1896, probably by a land speculator, who laid out streets, and lots, which he more than likely sold at a profit. (Most cities were settled by speculators.) Since 1980 only 4 new constructions. The village has never attained a population of 1,000. In 2011 it was only **562**. The Poverty rate was 26.8%, and median household income = \$28,173. Calhoun Co.

is the 53rd county in per capita income in WV. (out of 55) Calhoun Co. is the 3,075th county in per capita income in all the USA. (out of 3,138 counties) It had a per capita income in 1980 of \$5,121. The per capita income in 2010 was \$21,693. or about 4.2 times the 1980 amount. Land values in county have increased 6.089 times, so wages have not kept pace with land. (this IS normal, wages never keep pace with land values, that is one reason why land rent must be shared.)

Quite a contrast in these two cities considering they were founded only two years apart.

Fairhope has no patent on land taxation. Grantsville could adopt land tax reform as well.

Carl Shaw 10 Sept. 2012

The Fairhope, Alabama Single Tax Corporation

Taxes **all** of the annual rent of land

1980 population =7,299.

2000 population increased 39.3%

2013 population = 17,386.

2000 median household income \$42,913

2013 median household income \$58,554.

2000 per capita income \$25,237.

2013 per capita income \$32,440.

2012 per capita income Alabama state \$23,587.

2012 per Capita income National average \$28,051.

45% have a Bachelor's degree

2009 Median value of owner occupied housing was \$243,400.

Single home family new house construction building permits

2000 236 cost \$141,600.

2005 520 cost \$187,700

2010 152 cost \$239,100

We have lived thru various social systems. Monarchy, dictatorship, Boom and Bust. We could easily change to land value taxation, in a few years. Other jurisdictions have used this reform. Most notable is Fairhope, AL. in 1894. It began with 25 liberal type folks dedicated to social reform, from several states. In 1980 Fairhope's population was 7,299, has grown to 17,386 by 2013. I used these two years because I retired here in 1983. In my years here Calhoun Co. has lost 1,200 people, whereas Fairhope has gained 10,087.

Fairhope's per capita income in 2013 was \$34,199. 45% of the population has earned a Bachelor's Degree. Median value of owner occupied housing in 2009 was \$243,400. Number of business firms in 2007 was 2,377. Fairhope taxes ALL of the annual rent of land. Now a days economic conditions are so good that Fairhope has become a politically conservative city! New Hampshire taxes about 40% of the land rent, attracts population, has nation's lowest poverty rate. Denmark taxes about 50% of the land rent, and has Europe's lowest unemployment, and highest per capita income. You will have to look far to find slum housing in Denmark.

Reasons for taxing the land.

- a) To raise funding to support government services.
- b) To make land into Common Property.
- c) To share the publicly created RENT of land.
- d) To drive the economy into business activity

The Fairhope, (Alabama) Single Tax Corporation, is a Trust, wherein lessees lease land for 99 years, and is the only jurisdiction in America which taxes ALL of the annual rent of land. It has done this since founding in 1894. This is the basic principle behind its founding. This city grows in population at about the rate of one person per day. Un-employment is at about 2%. You will have to look far to see any slum type houses in Fairhope.

The 25 founders came from numerous states, and were followers of Henry George. Shortly after founding the city was advised by Baldwin County officials that buildings had to be taxed. Eventually all of the trust land (over 4,000 acres) was leased. Population continued to grow. These new citizens bought adjoining or nearby land. Today 80% of the population lives on deeded land, 20% on Trust land. I suppose most of the unemployed live on deeded land.

I retired here in 1983, Fairhope's population was at that time 7,299. In the 31 years since I retired here, Fairhope has grown by 10,087 people to 17,386. Or about 27 persons per month. Calhoun Co. where I live has lost 1,200 people in these 31 years, or about 3 persons per month.

Fairhope, which was founded by liberal dreamers, who were very concerned about the progress of society, has been so successful that today it is a Republican community. Taxing labor and capital is not something Fairhoper's accept.

SINGLE TAX BENEFITS

The likely economic effects of the full implementation of the Single Tax.

1. The Single Tax will be designed to publicly tax all of the rent of land. And because there will no longer be any net rent for owners to capitalize into value, land will no longer have a sale price.
2. When wages, interest, buildings, and products are no longer taxed labor and capital will receive the full benefit of their efforts.
3. As land owners will be taxed all of the annual land rent, they will be encouraged to seek highest and best use of the land, thus bringing in sufficient funds to pay the higher taxes. Labor and capital now in demand, will readily find job opportunities. Unemployment will disappear, along with out-migration, and poverty.
4. Improvements will no longer be taxed, so owners will keep them up, renewing and expanding when need arises. The concept of slum housing will go away.
5. Anyone who has a need for land to live upon, to develop a business, or grow crops, will be able to acquire available land, without purchase.
6. Because all of the current site rent will be taxed, no one would be able to acquire land as an investment. Land will no longer be a commodity, and out of state ownership will be over.
7. The current "need" to by-pass valuable nearby city land, to go live out in the suburbs will cease. City land will be put to highest and best use, and free of cost, future generations will be able to remain in or near cities.
8. In 1928 and 2007 ultra high land prices, where average people could no longer afford the land they need lead to economic "busts." Then followed a waiting period when land prices flatten out for a while, to be followed with another race to the top. Under the Single Tax land will have only a yearly rental price, all of which will be publicly taxed to fund social needs. No more "boom and bust," or race to the top.
9. Currently Federal Government spending programs and war has been used to employ people who could not afford land to support their life needs. Under Single Tax unemployment due to high land prices will be over—so Government aid programs and war will no longer be necessary.

10. Human beings will be able to develop constructive dreams, inventions, and accomplishments and not have to wait for peace to come. It will always be with us. War, as a jobs program, will be a thing of the past.
11. Land value has been used as the basis for discrimination against people's race or nationality. When land is freely available one group won't be able to discriminate against another.
12. Rural land may be abandoned, (except for the few who don't wish to live near other people). Population will consolidate in and near cities.
13. The environmental idea of leaving rural land to nature will be enacted.
14. There is no shortage of land, people will take ownership of only as much land as they can afford to lease (pay annual rent on) Homelessness will be a thing of the past.
15. The hauling of building materials far out of cities in order to construct buildings, and driving long distances to work will be over with as population consolidates.
16. Paying for land (mortgage) has been a major expense in home finance and starting businesses. Under Single Tax land will no longer have a sale price, so mortgages on land will be over.
17. Some rural land is marginal, not productively beneficial, where wages will be lower than higher quality land. When people abandon marginal land for quality land their wages will increase.
18. Minority populations, racial, sexual, religion, political, will be able to acquire land for their life's employment and living place, and will no longer be discriminated against. The quality of their work will be respected by the rest of society
19. Widespread adoption of the Single Tax probably will reform our concept of morality.
 - a) To oppose the taxation of labor and capital
 - b) To oppose the ownership of land for commercial commodity purposes
 - c) To stop unemployment, poverty, homelessness
 - d) To enact the idea of common property, and that nature should be publicly shared as our human right
20. There will always be a need for products (wealth) . When land and resources are freely available, and labor is untaxed wealth will be provided.

SOUTH ANNEX District Total Assessed Land Values

Land Assessment = 60% of Value Class 2 (Owner occupied)

- a) \$161,991,460. \therefore 60% = \$269,985,766. = Market Value
- b) Market Value = \$269,985,766.
- c) Assessed Value \$161,991,460. X Class 2 Tax Rate .013992
- d) \$2,266,584 = Land Tax Expected
- e) Market Value \$269,985,766. X 4% Interest Rate=
- f) \$10,799,430. + Tax of \$2,266,584. = \$13,066,014.
- g) District wide Class 2 Land Rent of \$13,066,014.
- h) Rent of \$13,066,014. – Tax of \$2,266,584. = Un-Taxed Rent \$10,799,430.
- i) Land Tax of \$2,266,583. \therefore Land Rent \$13,066,014. = 17.3%
- j) 17.3% of the Rent is Taxed.
- k) 100% -- 17.3% = 82.7% of the Rent is Un-taxed.
- l) Un-Taxed Rent = \$10,799,430.**

SOUTH ANNEX District Total Assessed Land Value

Land Assessment = 60% of Value Class 3 / 4 (Business or Vacant)

- a) \$80,402,880. \therefore 60% = \$134,004,800. = Market Value
- b) Market Value = \$134,004,800.
- c) Assessed Value \$80,402,880. X Class 3/ 4 Tax Rate .027984.
- d) \$2,249,994. = Land Tax Expected
- e) Market Value \$134,004,800. X 4% Interest Rate =
- f) \$5,360,192. + Tax of \$2,249,994. = \$7,610,186.
- g) District Wide Class 3 / 4 Land Rent of \$7,610,186.
- h) Rent of \$7,610,186. – Tax of \$2,249,994. = Un-Taxed Rent \$5,360,192.
- i) Land tax of \$2,249,994. \therefore Land Rent \$7,610,186. = 29.5%
- j) 29.5% of the Rent is Taxed.
- k) 100% -- 29.5% = 70.5% of the Rent is Un-Taxed
- l) Un-Taxed Rent = \$5,360,192.**

CHAS EAST District Total Assessed Land Values

Land Assessment = 60% of Value Class 2 (Owner occupied)

- a) \$ 16,268,490. \therefore 60% = \$27,114,150.
- b) Market Value = \$27,114,150.
- c) Assessed Value \$16,268,490. X Class 2 Tax Rate .013992.
- d) \$227,628. = Land Tax Expected
- e) Market Value \$27,114,150. X 4% Interest Rate =
- f) \$1,084,566. + Tax of \$227,628 =
- g) District wide Class 2 Land Rent of \$1,312,194.
- h) Rent of \$1,312,194. - Tax \$227,628. = Un-taxed Rent \$1,084,566.
- i) Land Tax of \$227,628. \therefore Land Rent \$1,312,194. = 17.3%
- j) Only 17.3% of the Rent is Taxed.
- k) 100% -- 17.3% = 82.7% of the Rent is un-taxed. Or
- l) **Un-Taxed Rent = \$1,084,566.**

CHAS EAST DISTRICT Total Assessed Value

Land Assessment = 60% of Value Class 3 / 4 (Business or Vacant)

- a) \$98,424,180. \therefore 60% = \$164,040,300. = Market Value
- b) Market Value = \$164,040,300.
- c) Assessed Value \$98,424,180. X Class 3 / 4 Tax Rate .027984. =
- d) \$2,754,302. = Land Tax Expected.
- e) Market Value \$164,040,300. X 4% Interest Rate =
- f) \$6,561,612. + Tax of \$2,754,302. =
- g) District Wide Class 3 / 4 Land rent of \$9,315,914.
- h) Rent of \$9,315,914. - Tax of \$2,754,302. = Un-taxed Rent \$6,561,612.
- i) Land Tax of \$2,754,302. \therefore Land Rent \$9,315,914. = 29.5%
- j) Only 29.5% of the Rent is Taxed
- k) 100% -- 29.5% = 70.5% of the Rent is Taxed, or
- l) **Un-Taxed Rent = \$6,561,612.**

CHAS WEST DISTRICT Total Assessed Land Values

Land Assessment = 60% of Value Class 2 (Owner occupied)

- a) \$37,444,990. \therefore 60% = \$62,408,316. = Market Value
- b) Market Value = \$62,408,316.
- c) Assessed Value \$ 37,444,990. X Class 2 Tax Rate .013992 =
- d) \$523,930. = Land Tax Expected
- e) Market Value \$62,408,316. X 4% Interest Rate =
- f) \$2,496,332. + tax of \$523,930. =
- g) District Wide Class 2 Land Rent of \$3,020,262.
- h) Rent of \$3,020,262. -Tax \$523,930. = Un-Taxed Rent \$2,496,332.
- i) Land tax of \$523,930. \therefore Land Rent \$3,020,262. = 17.3%
- j) Only 17% of the Rent is Taxed
- k) 100% --17.3% = 82.7% of the Rent is un-Taxed, or
- l) Un-Taxed Rent = \$2,496,332.**

CHAS WEST DISTRICT Total Assessed Land Values

Land Assessment = 60% of Value Class 3 / 4 (Business or Vacant)

- a) \$54,769,640. \therefore 60% = \$91,282,733. = Market Value
- b) Market Value = \$91,282,733.
- c) Assessed Value \$54,769,640. X Class 3 / 4 Tax Rate .027984
- d) \$1,532,673.= Land Tax Expected
- e) Market Value \$91,282,733. X 4% Interest Rate =
- f) \$3,651,309. + Tax of \$1,532,673. = \$5,183,982.
- g) District Wide Class3 / 4 Land Rent of \$5,183,982.
- h) Rent of \$ 5,183,982. - Tax of \$ 1,532,673. = Un-taxed Rent \$3,651,309.
- i) Land Tax of \$1,532,673. \therefore Land Rent \$5,183,982. = 29.5%
- j) 29.5% of the Rent is Taxed
- k) 100% -- 29.5% = 70.5% of the Rent is Un-Taxed
- l) Un-Taxed Rent = \$3,651,309.**

KANAWHA CITY District Total Assessed Land Values

Land Assessment = 60% of Value Class 2 (Owner occupied)

- a) \$69,625,810. \therefore 60% = \$116,043,016. = Market Value
- b) Market Value = \$116,034,016.
- c) Assessed Value \$69,625,810. X Class 2 Tax Rate .013992 =
- d) \$974,204. = Land Tax Expected
- e) Market Value \$116,034,016. X 4% Interest Rate = \$4,641,360.
- f) \$4,641,360. + Tax of \$974,204. =
- g) District wide Class2 Land Rent of \$5,615,564.
- h) Rent of \$5,615,564. – Tax \$974,204 = Un-Taxed Rent \$4,641,360.
- i) Land tax of \$974,204. \therefore Land Rent \$5,615,564. = 17.3%
- j) Only 17.3% of the Rent is Taxed.
- k) 100% – 17.3% = 82.7% of the Rent is Un-Taxed. Or
- l) Un-Taxed Rent = \$4,641,360.**

KANAWHA CITY District Total Assessed Land Values

Land Assessment = 60% of Value Class 3 / 4 (business or Vacant)

- a) \$40,668,820. \therefore 60% = \$67,781,366. = Market Value
- b) Market Value = \$67,781,366.
- c) Assessed Value \$40,668,820. X Class 3 / 4 Tax Rate .027984.
- d) \$1,138,076. = Land Tax Expected
- e) Market Value \$67,781,366. X 4% Interest Rate =
- f) \$2,711,254. + Tax of \$1,138,076. = \$3,849,330.
- g) District Wide Class 3 / 4 Land Rent of \$3,849,330.
- h) Rent of \$3,849,330. – Tax of \$1,138,076. = Un-Taxed Rent \$2,711,254.
- i) Land Tax of \$1,138,076. \therefore Land Rent \$3,849,330. = 29.5%
- j) 29.5% of the Rent is Taxed
- k) 100% – 29.5% = 70.5% of the Rent is Un-Taxed
- l) Un-Taxed Rent = \$2,711,254.**

ELK DISTRICT Total Assessed Land Values

Land Assessment = 60% of Value Class 2 (Owner occupied)

- a) $\$106,613,120. \times 60\% = \$177,688,533.$
- b) Market Value = $\$177,688,533.$
- c) Assessed Value $\$106,613,120. \times$ Class 2 Tax Rate $.011228. =$
- d) $\$1,197,052. =$ Land Tax Expected
- e) Market Value $\$177,688,533. \times 4\%$ Interest Rate =
- f) $\$7,107,541. +$ Tax of $\$1,197,052. =$
- g) District wide Class 2 Land Rent of $\$8,304,593.$
- h) Rent of $\$8,304,593. -$ Tax $\$1,197,052. =$ un-taxed Rent $\$7,107,541.$
- i) Land Tax of $\$1,197,052. \div$ Land Rent $\$8,304,593. = 14.4\%$
- j) Only 14.4% of the Rent is Taxed
- k) $100\% - 14.4\% = 85.6\%$ of the Rent is un-Taxed. Or
- l) **Un-Taxed Rent = $\$7,107,541.$**

ELK DISTRICT Total Assessed Land Values

Land Assessment = 60% of Value Class 3 / 4 (Vacant and Business)

- a) $\$52,647,360. \times 60\% = \$87,745,600. =$ Market Value
- b) Market Value = $\$87,745,600.$
- c) Assessed Value $\$52,647,360. \times$ Class 3 / 4 Tax Rate $.022456. =$
- d) $\$1,182,249. =$ Land Tax Expected
- e) Market Value $\$87,745,600. \times 4\%$ Interest Rate =
- f) $\$3,509,824. +$ Tax of $\$1,182,249. =$
- g) District Wide Class 3 / 4 Land Rent of $\$4,692,073.$
- h) Rent of $\$4,692,073. -$ Tax $\$1,182,249. =$ Un-Taxed Rent $\$3,509,824.$
- i) Land Tax of $\$1,182,249. \div$ Land Rent $\$4,692,073. = 25.1\%$
- j) Only 25.1% of the Rent is Taxed.
- k) $100\% - 25.1\% = 74.9\%$ of the Rent is Un-Taxed. Or
- l) **Un-Taxed Rent = $\$3,509,824.$**

JEFFERSON DISTRICT Total Assessed Land Values

Land Assessment = 60% of Value Class 2 (Owner occupied)

- a) \$66,501,990. \therefore 60% = \$110,836,650. = Market Value
- b) Market Value = \$110,836,650.
- c) Assessed Value \$66,501,990. X Class 2 Tax Rate .011228.
- d) \$746,684. = Land Tax Expected
- e) Market Value \$110,836,650. X 4% Interest Rate =
- f) \$4,433,466. + Tax of \$746,684. = \$5,180,150.
- g) District wide Class 2 Land Rent of \$ 5,180,150.
- h) Rent of \$5,180,150. – Tax of \$746,680. = Un-Taxed Rent
\$ 4,433,470.
- i) Land Tax of \$746,684. \therefore Land Rent \$5,180,150. = 14.4%
- j) 14.4% of the Rent is Taxed
- k) 100% --14.4% = 85.6% of the Rent is Un-Taxed
- l) **Un-Taxed Rent = \$4,433,470.**

JEFFERSON DISTRICT Total Assessed Land Value

Land Assessment = 60% of Value Class 3 / 4 (Business or Vacant)

- a) \$45,064,120. \therefore 60% = \$75,106,866. = Market Value
- b) Market Value = \$75,106,866.
- c) Assessed Value \$45,064,120. X Class 3 / 4 Tax Rate .022456. =
- d) \$1,011,959. = Land Tax Expected
- e) Market Value \$75,106,866. X 4% Interest Rate =
- f) \$3,004,274. + Tax of \$1,011,959. =
- g) District wide Class 3 / 4 Land Rent of \$4,016,233.
- h) Rent of \$4,016,233. – Tax of \$1,011,959. = Un-Taxed Rent
\$3,004,274.
- i) Land Tax of \$1,011,959. \therefore Land Rent \$4,016,233. =25.1%
- j) Only 25.1% of the Rent is Taxed.
- k) 100% --25.1% = 74.9% of the Rent is Un-Taxed. Or
- l) **Un-Taxed Rent = \$3,004,274.**

ST. ALBANS DISTRICT Total Assessed Land Value

Land Assessment = 60% of Value Class 2 (Owner occupied)

- a) \$56,247,700. \therefore 60% = \$93,746,166.
- b) Market Value = \$93,746,166.
- c) Assessed Value \$56,247,700. X Class 2 Tax Rate .014978. =
- d) \$842,478. = Land Tax Expected
- e) Market Value \$93,746,166. X 4% Interest Rate = \$3,749,846.
- f) \$3,749,846. + Tax of \$842,478. =
- g) District wide Class 2 Land Rent of \$4,592,324.
- h) Rent of \$4,592,324. -- Tax \$842,478. = Un-Taxed Rent \$3,749,846.
- i) Land Tax of \$842,478. \therefore Land Rent \$4,592,324. = 18.3%
- j) Only 18.3% of the Rent is Taxed
- k) 100% -- 18.3% = 81.7% of the Rent is Un-taxed. Or
- l) Un-Taxed Rent = \$3,749,846.**

ST. ALBANS DISTRICT Total Assessed Land Values

Land Assessment = 60% of Value Class 3 / 4 (Business or Vacant)

- a) \$27,206,490. \therefore 60% = \$45,344,150. = Market Value
- b) Market Value = \$45,344,150.
- c) Assessed Value \$27,206,490. X Class 3 / 4 Tax Rate .029956. =
- d) \$814,997. = Land Tax Expected
- e) Market Value \$45,344,150. X 4 % Interest Rate =
- f) \$1,813,766. + Tax of \$814,997. =
- g) District wide Class 3 / 4 Land Rent of \$2,628,763.
- h) Rent of \$2,628,763. -- Tax of \$814,997. = Un-Taxed Rent \$1,813,766.
- i) Land Tax of \$814,997. \therefore Land Rent \$2,628,763. = 31%
- j) Only 31% of the Rent is Taxed
- k) 100% -- 31% = 69% of the Rent is Un-Taxed, or
- l) Un-Taxed Rent = \$1,813,766.**

SO CHARLESTON DISTRICT Total Assessed Land Values

Land Assessment = 60% of Value Class 2 (Owner occupied)

- a) \$41,709,580. \therefore 60% = \$69,515,966.
- b) Market Value = \$69,515,966.
- c) Assessed Value \$41,709,580. X Class 2 Tax Rate .014978.=
- d) \$624,392. = Land tax Expected
- e) Market Value \$69,515,966. X 4% Interest Rate = \$2,780,638.
- f) \$2,780,638. + Tax of \$624,392. =
- g) District wide Class 2 Land Rent of \$3,405,030.
- h) Rent of \$3,405,030. -- Tax \$624,392. = Un-Taxed Rent \$2,780,638.
- i) Land tax of \$624,392. \therefore Land Rent \$3,405,030. = 18.3%
- j) Only 18.3% of the Rent is Taxed.
- k) 100% -- 18.3% = 81.7 % of the Rent is Un-Taxed. Or
- l) **Un-Taxed Rent = \$2,780,638.**

SO CHARLESTON DISTRICT Total Assessed Land Values

Land Assessment = 60% of Value Class 3 /4 (Business or Vacant)

- a) \$70,109,480. \therefore 60% = \$116,849,133. = Market Value
- b) Market Value = \$116,849,133.
- c) Assessed Value \$70,109,480. X Class 3 /4 Tax Rate .029956.
- d) \$2,100,199. = Land Tax Expected
- e) Market Value \$116,849,133. X 4% Interest Rate =
- f) \$4,673,965. + Tax of \$2,100,199. =
- g) District wide Class 3 /4 Land Rent of \$6,774,164.
- h) Rent of \$6,774,164. -- Tax \$2,100,199. = Un-Taxed Rent \$4,673,965.
- i) Land Tax of \$2,100,199. \therefore Land Rent \$6,774,164. = 31%
- j) Only 31% of the Rent is Taxed.
- k) 100%-- 31% = 69% of the Rent is Un-Taxed. Or
- l) **Un-Taxed Rent = \$4,673,965.**

MALDEN DISTRICT Total Assessed Land Values

Land Assessment = 60% of Value Class2 (Owner occupied)

- a) $\$35,052,230 \times 60\% = \$58,420,383$. = Market Value
- b) Market Value= $\$58,420,383$.
- c) Assessed Value $\$35,052,230 \times$ Class 2 Tax Rate $.011228$. =
- d) $\$3,935,664$. = Land Tax Expected
- e) Market Value $\$58,420,383 \times$ 4% Interest Rate =
- f) $\$2,336,815$. + Tax of $\$3,935,664$. =
- g) District wide Class 2 Land Rent of $\$6,272,479$.
- h) Rent of $\$6,272,479$. – Tax $\$3,935,664$. = Un-Taxed Rent $\$2,336,815$.
- i) Land Tax of $\$3,935,664$. \div Land Rent $\$6,272,479$. =62.7%
- j) 62.7% of the Rent is Taxed.
- k) $100\% - 62.7\% = 37.3\%$ of the Rent is Un-Taxed. Or
- l) **Un-Taxed Rent = $\$2,336,815$.**

MALDEN DISTRICT Total Assessed Land Value

Land Assessment = 60% of Value Class 3/4 (Business or Vacant)

- a) $\$32,524,930 \times 60\% = \$54,208,216$. = Market Value
- b) Market Value= $\$54,208,216$.
- c) Assessed Value $\$32,524,930 \times$ Class 3 / 4 Tax Rate $.022456$.
- d) $\$700,379$. = Land Tax Expected
- e) Market Value $\$54,208,216 \times$ 4% Interest Rate=
- f) $\$2,168,328$. + Tax of $\$700,379$. =
- g) District wide Class 3 / 4 Land Rent of $\$2,868,707$.
- h) Rent of $\$2,868,707$. – Tax $\$700,379$. = Un-Taxed Rent $\$2,168,328$.
- i) Land Tax of $\$700,379$. \div Land Rent $\$2,868,707$. =24.4%
- j) Only 24.4% of the Rent is Taxed.
- k) $100\% - 24.4\% = 75.6\%$ of the Rent is Un-Taxed. Or
- l) **Un-Taxed Rent= $\$2,168,328$.**

POCA DISTRICT Total Assessed Land Values

Land Assessment = 60% of Value Class 2 (Owner occupied)

- a) $\$43,089,200. \therefore 60\% = \$71,815,333.$
- b) Market Value = $\$71,815,333.$
- c) Assessed Value $\$43,089,200. \times$ Class 2 Tax Rate $.011228. =$
- d) $\$483,805. =$ Land Tax Expected
- e) Market Value $\$71,815,333. \times 4\%$ Interest Rate =
- f) $\$2,872,613. +$ Tax of $\$483,805. =$
- g) District wide Class 2 Land Rent of $\$3,356,418.$
- h) Rent of $\$3,356,418. -$ Tax $\$483,805. =$ Un-Taxed Rent $\$3,308,033.$
- i) Land Tax of $\$483,805. \therefore$ Land Rent $\$3,356,418. = 14.4\%$
- j) Only 14.4% of the Rent is Taxed.
- k) $100\% - 14.4\% = 85.6\%$ of the Rent is Un-Taxed. Or
- l) Un-Taxed Rent = $\$3,308,033.$**

POCA DISTRICT Total Assessed Land Values

Land Assessment = 60% of Value Class 3 / 4 (Business or Vacant)

- a) $\$16,639,860. \therefore 60\% = \$27,733,100. =$ Market Value.
- b) Market Value = $\$27,733,100.$
- c) Assessed Value $\$16,639,860. \times$ Class 3 / 4 Tax Rate $.022456. =$
- d) $\$373,664. =$ Land Tax Expected
- e) Market Value $\$27,733,100. \times 4\%$ Interest Rate =
- f) $\$1,109,324. +$ Tax of $\$373,664. =$
- g) District wide Class 3 / 4 Land Rent of $\$1,482,988.$
- h) Rent of $\$1,482,988. -$ Tax of $\$373,664. =$ Un-Taxed Rent $\$1,109,324.$
- i) Land Tax of $\$373,664. \therefore$ Land Rent $\$1,482,988. = 25.1\%$
- j) Only 25.1% of the Rent is taxed.
- k) $100\% - 25.1\% = 74.9\%$ of the Rent is Un-Taxed, Or
- l) Un-Taxed Rent = $\$1,109,324.$**

UNION DISTRICT Total Assessed Land Values

Land Assessment = 60% of Value Class 2 (Owner occupied)

- a) \$111,627,550. \therefore 60% = \$186,045,916. = Market Value
- b) Market Value = \$186,045,016.
- c) Assessed Value \$111,627,550. X Class 2 Tax Rate .011228.
- d) \$1,253,354. = Land Tax Expected
- e) Market Value \$186,045,016. X 4% Interest Rate =
- f) \$7,441,800. + Tax of \$1,253,354. = \$8,695,154.
- g) District wide Class 2 Land Rent of \$8,695,154.
- h) Rent of \$8,695,154. -- Tax of \$1,253,354. = Un-Taxed Rent \$7,441,800.
- i) Land Tax of \$1,253,354. \therefore Land Rent \$8,695,154. = 14.4%
- j) 14.4% of the Rent is Taxed.
- k) 100% - 14.4% = 85.6% of the Rent is Un-Taxed. Or
- l) **Un-Taxed Rent = \$7,441,800.**

UNION DISTRICT Total Assessed Land Values

Land Assessment = 60% of Value Class 3 / 4 (Business or Vacant)

- a) \$96,589,250. \therefore 60% = \$160,982,083. = Market Value
- b) Market Value = \$160,982,083.
- c) Assessed Value \$96,589,250. X Class 3 / 4 Tax Rate .022456
- d) \$2,169,008. = Land Tax Expected
- e) Market Value \$160,982,083. X 4% Interest Rate =
- f) \$6,439,283. + Tax of \$2,169,008. = \$8,608,291.
- g) District wide Class 3 / 4 Land Rent of \$8,608,291.
- h) Rent of \$8,608,291. -- Tax of \$2,169,008. = Un-Taxed Rent \$6,439,283.
- i) Land Tax of \$2,169,008. \therefore Land Rent \$8,608,291. = 25.1%
- j) 25.1% of the Rent is Taxed.
- k) 100%--25.1%= 74.9% of the Rent is Un-Taxed. Or
- l) Un-Taxed Rent = \$6,439,283.

NITRO DISTRICT Total Assessed Land Values

Land Assessment =60% of Value Class 2 (Owner Occupied)

- a) \$26,641,930. \therefore 60% = \$44,403,216. = Market Value
- b) Market Value = \$44,403,216.
- c) Assessed Value \$26,641,930. X Class 2 Tax Rate .014222.
- d) \$378,901. = Land Tax Expected
- e) Market Value \$44,403,216. X 4% Interest Rate =
- f) \$1,776,128. + Tax of \$378,901. =\$2,155,029.
- g) District wide Class 2 Land Rent of \$2,155,029.
- h) Rent of \$2,155,029. – Tax of \$378,901. = Un-Taxed Rent.
\$1,776,128.
- i) Land Tax of \$378,901. \therefore Land Rent \$2,155,029.= 17.5%
- j) 17.5% of the Rent is Taxed.
- k) 100%--17.5% = 82.5% of the Rent is Un-Taxed. Or
- l) **Un-Taxed Rent= \$1,776,128.**

NITRO DISTRICT Total Assessed Land Value

Land Assessment = 60% of Value Class 3 / 4 (Business or Vacant)

- a) \$26,215,620. \therefore 60% = \$43,692,700. = Market Value
- b) Market Value = \$43,692,700.
- c) Assessed Value \$26,215,620. X Class 3 / 4 Tax Rate .028444.
- d) \$745,677. = Land Tax Expected
- e) Market Value \$43,692,700. X 4% Interest Rate=
- f) \$1,747,708. + Tax of \$745,677. = \$2,493,385.
- g) District wide Class 3/ 4 Land Rent of \$2,493,385.
- h) Rent of \$2,493,385. – Tax of \$745,677. = Un-Taxed Rent
\$1,747,708.
- i) Land Tax of \$745,677. \therefore Land Rent \$2,493,385. = 29.9%
- j) 29.9% of the Rent is Taxed.
- k) 100%--29.9% = 70.1% of the Rent is Un-Taxed. Or
- l) **Un-Taxed Rent = \$1,747,708.**

TOTAL KANAWHA COUNTY UN-TAXED RENT FOR 2014

CLASS 3 / 4 (LINE 1)

BIG SANDY	\$533,254.	CLENDENIN	\$171,637.
CABIN CREEK	\$3,909,426.	CEDAR GROVE	\$967,026.
EAST BANK	\$112,361.	GLASGOW	\$166,493.
MONTGOMERY	\$99,688.	PRATT	\$40,419.
CHAS NORTH	\$261,242.	CHAS EAST	\$6,561,612.
CHAS WEST	\$3,651,309.	KANAWHA CITY	\$2,711,254.
15 TH WARD	\$570,636.	ELK	\$3,509,824.
JEFFERSON	\$3,004,274.	ST ALBANS	\$1,813,766.
SPRING HILL	\$3,448,465.	LOUDON	\$1,192,818.
CHESAPEAKE	\$242,224.	MARMET	\$370,910.
SO CHARLESTON	\$4,673,965.	MALDEN	\$2,168,328.
POCA	\$1,109,324.	UNION	\$6,439,283.
DUNBAR	\$1,660,492.	NITRO	\$1,747,708.
WASHINGTON	\$1,461,519.	BELLE	\$199,734.
HANDLEY	\$17,922.	SOUTH ANNEX	\$5,360,192.
TOTAL		\$58,177,105.	

Grand Total = \$124,937,777.

Total Kanawha County Un-Taxed Rent for 2014

Class 2 (Line 1)

BIG SANDY	\$1,312,834.	CLENDENIN	\$296,042.
CABIN CREEK	\$1,522,852.	CEDAR GROVE	\$142,917.
EAST BANK	\$294,006.	GLASGOW	\$166,493.
MONTGOMERY	\$40,326.	PRATT	\$135,792.
SOUTH ANNEX	\$10,799,430.	CHAS NORTH	\$2,661,228.
CHAS EAST	\$1,084,566.	CHAS WEST	\$2,496,332.
KANAWHA CITY	\$4,641,360.	15 TH WARD	\$2,060,654.
ELK	\$7,107,541.	JEFFERSON	\$4,433,470.
ST ALBANS	\$3,749,846.	SPRING HILL	\$1,459,130.
LOUDON	\$1,522,881.	CHESAPEAKE	\$449,215.
MARMET	\$237,000.	SO CHARLESTON	\$2,780,638.
MALDEN	\$2,336,815.	POCA	\$3,308,033.
UNION	\$7,441,800.	DUNBAR	\$1,914,522.
NITRO	\$1,776,128.	WASHINGTON	\$244,082.
BELLE	\$332,218.	HANDLEY	\$12,518.
TOTAL			\$66,760,669.

Typical Increase of land values over time

Calhoun Co. WV-- assessed land values (60% of likely price)--total county

Class 2 (owner occupied)

1950 = \$1,583,960.

1960 = \$1,558,100.

1970 = \$2,669,610.

1980 = \$7,404,960.

1990 = \$10,113,269.

2000 = \$28,641,710.

2010 = \$39,086,510.

2012 = \$42,181,950.

Class 3 and 4 (vacant & business)

1950 = \$512,550.

1960 = \$544,390.

1970 = \$970,660.

1980 = \$2,627,500.

1990 = \$4,131,946.

2000 = \$12,507,970.

2010 = \$18,018,300.

2012 = \$18,913,330.

Grand totals

1950 \$2,096,510 Class 2, 3, 4

1960 \$ 2,102,490.

1970 \$ 3,640,270.

1980 \$10,032,460.

1990 \$14,245,215.

2000 \$41,149,680.

2010 \$ 57,104,819.

2012 \$61,095,280.

*In 62 years land values in Calhoun County WV has increased 30 times.
Doesn't this explain why wages and interest has decreased?*

*It is the **Rent of land** which increases. And when low taxed develops into sale price. Regardless of the state of the economy land values steadily increase over time, even in depressed times. When rent is low taxed land owners benefit. In as much as wealth is divided between rent, wages and interest, and while rent vastly increases, wages and interest obviously decrease. Rent should be taxed and shared so as to bring a measure of fairness to our society.*



Why it's time for Tobacco to pay its fair share!

The current West Virginia excise tax on cigarettes is 55 cents per pack. It has been more than a decade since this fee was last increased and is well below the national average of \$1.60 per pack. With its current tax on cigarettes, West Virginia is ranked 46th among 50 states and the District of Columbia.

Source: Campaign for Tobacco Free Kids

Tobacco is taking a toll on the health of our people:

- West Virginia has the highest adult smoking rate in the nation.
- More than 1 in 4 West Virginia women smoke during their pregnancies, nearly 3 times the national rate.
- West Virginia has the second highest rate of smokeless tobacco users.
- Nearly 1 in 5 (19.7%) West Virginia high school students smoke cigarettes, the highest in the nation.
- More than 1 in 4 (27.6%) male high school students use smokeless or spit tobacco.

sources: Centers for Disease Control & Prevention; 2013 Youth Tobacco Survey

Tobacco use is costing West Virginia lots of money:

- During the years 2006-2010, the WV estimated smoking-related direct health care/lost productivity costs amounted to \$1.778 billion annually.
- If viewed as a cost per pack of cigarettes sold in WV, it is about \$9 per pack. When expressed per smoker, it is about \$4,676 per adult smoker in WV.

source: WV Health Statistics Center

How a significant tax increase would improve public health:

- The scientific research is very clear that raising cigarette prices is one of the most effective ways to reduce smoking, especially among kids.
- Federal, state, and local taxes that raise prices on tobacco products improve public health by reducing initiation, prevalence, and intensity of smoking among young people.

Source: "The Economics of Smoking" Chaloupka, FJ and Warner, KE

source: 2012 U.S. Surgeon General's Report, Preventing Tobacco Use among Youth and Young Adults.

How a significant tax increase helps the state's employers:

- Smoking employees miss twice as much work as non-smokers and cost their employers an average of \$1,865/each in added medical expenses.
- WV companies are losing an average of \$2,811 in lost productivity per smoker.
- WV employers are spending nearly \$2,200 in worker's compensation for smokers versus \$176 for non-smokers.

source: WV Division of Tobacco Prevention





WEST VIRGINIA TAX POLICY & SHARED PROSPERITY

Recommendations to Joint Select Committee on Tax Reform
October 20, 2015

presented by

Ted Boettner, Executive Director

West Virginia Center on Budget and Policy

www.wvpolicy.org

@WVCBP

Outline of Presentation

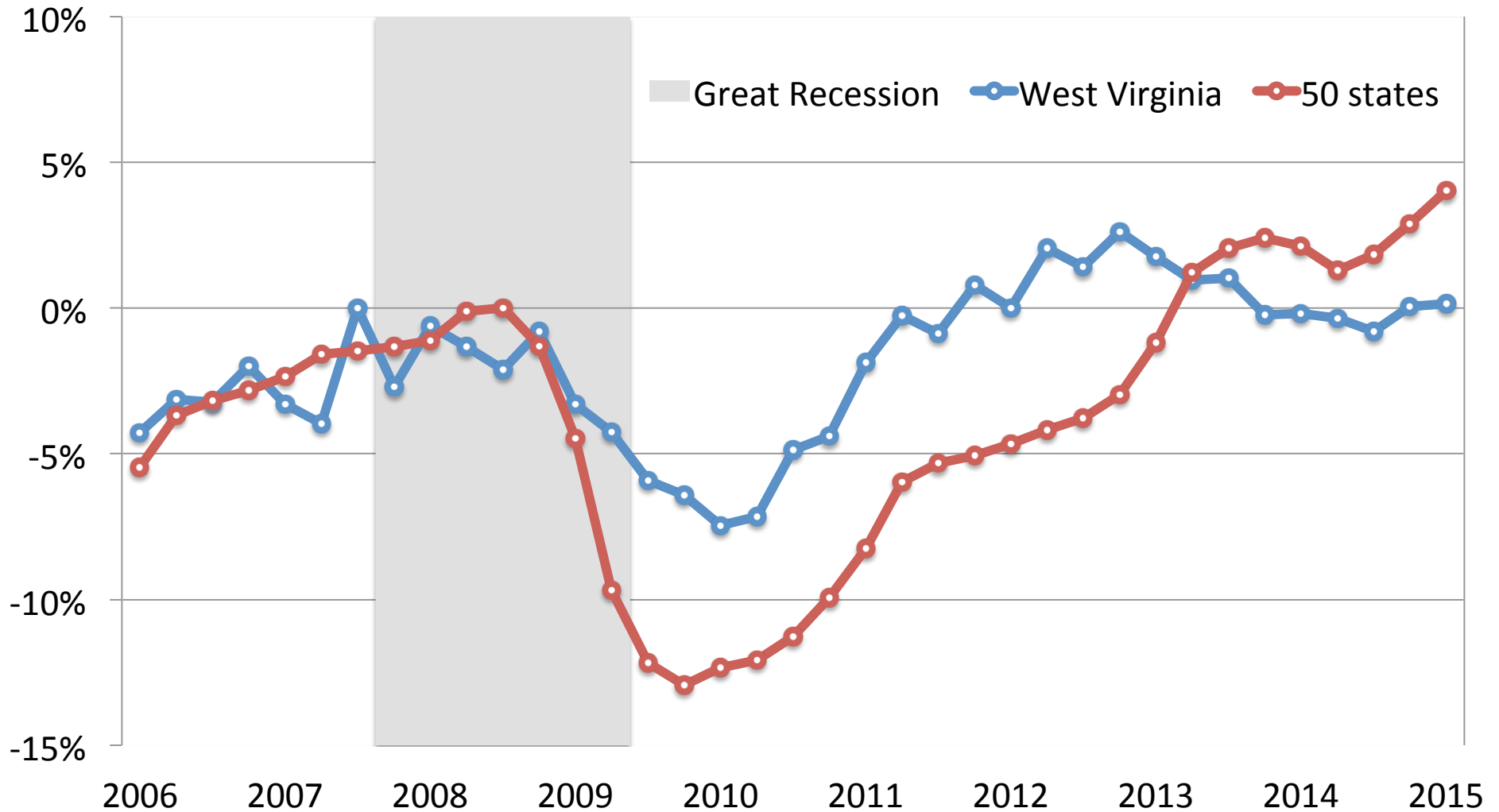
- Overview of West Virginia's Fiscal Health
- Principles of Sound Taxation & Tax Responsibilities
- Link Between Taxes and Economic Growth
- Tax Policy Options
- Recommendations to Improve Budget Transparency & Accountability

The **West Virginia Center on Budget and Policy** is policy research organization that is nonpartisan, nonprofit, and statewide. Our mission is to use sound research and analysis to advance the well-being of West Virginia communities. The Center is part of the **State Priorities Partnership** and the **Economic Analysis Research Network**.



West Virginia tax revenue growth lags behind most states

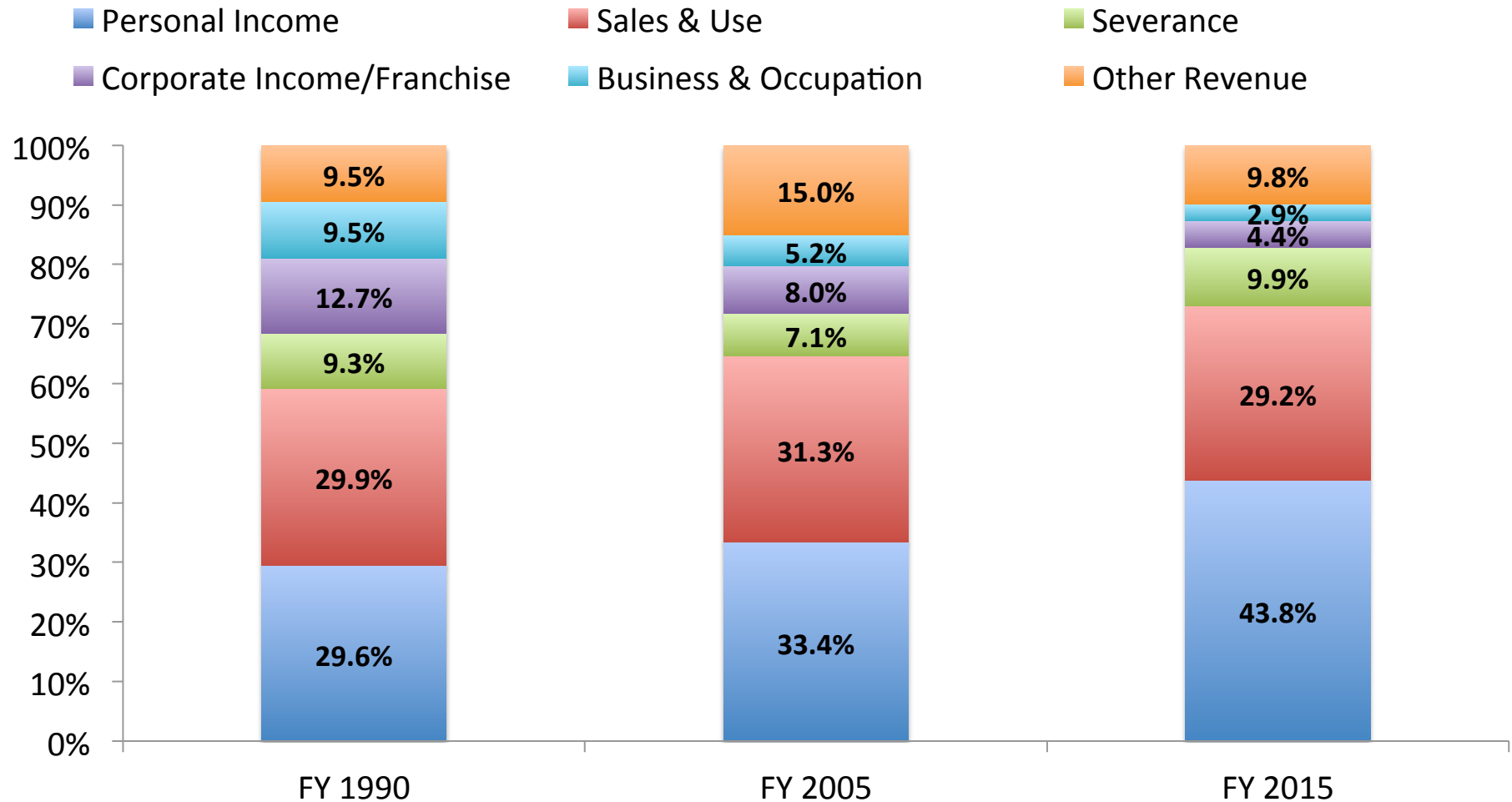
Change in tax revenue from each state's peak quarter, adjusted for Inflation



Source: Pew Charitable Trusts analysis of U.S. Census Bureau, Nelson Rockefeller Institute of Government and U.S. Bureau of Economic Analysis data.

West Virginia relies less on business, more on severance and personal income taxes to fund budget

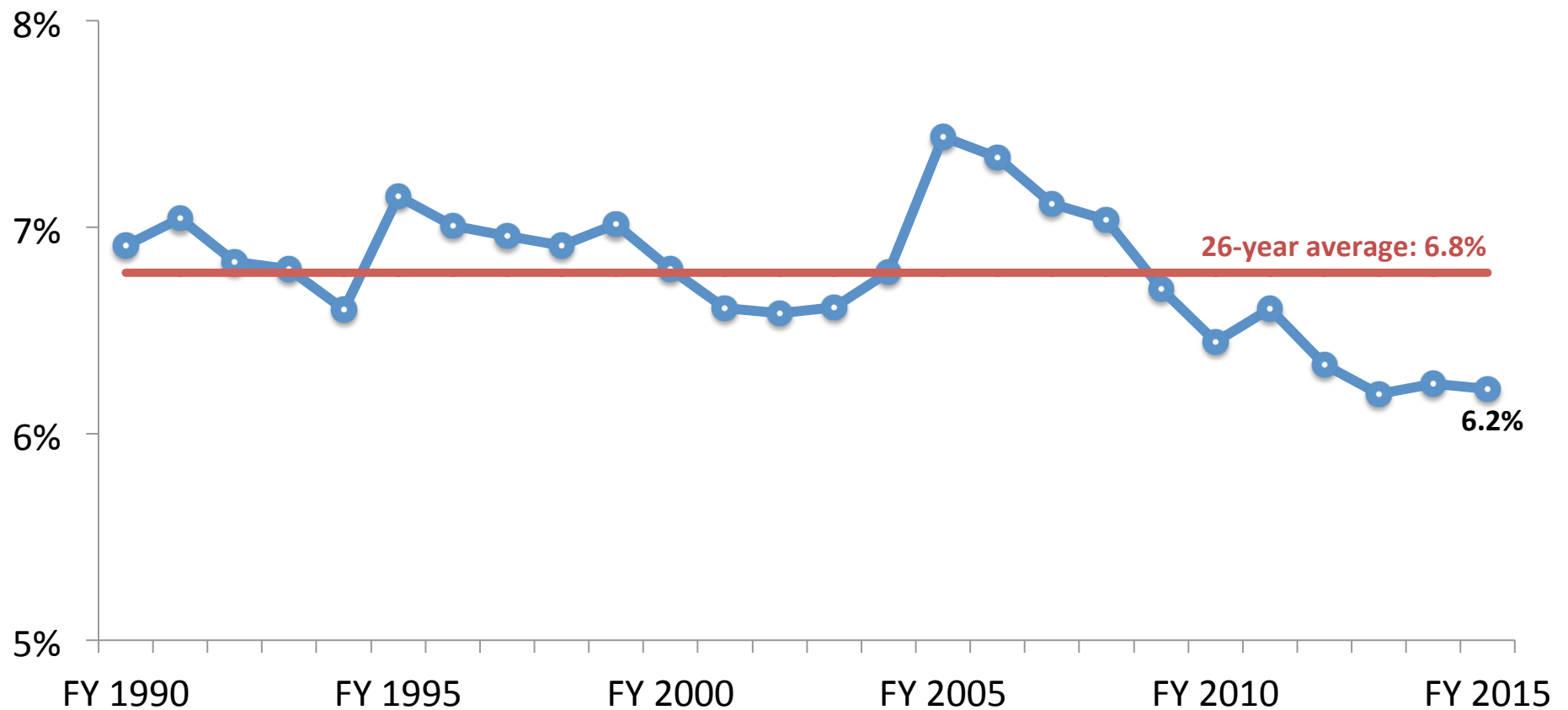
Revenue as a share of General Revenue Fund



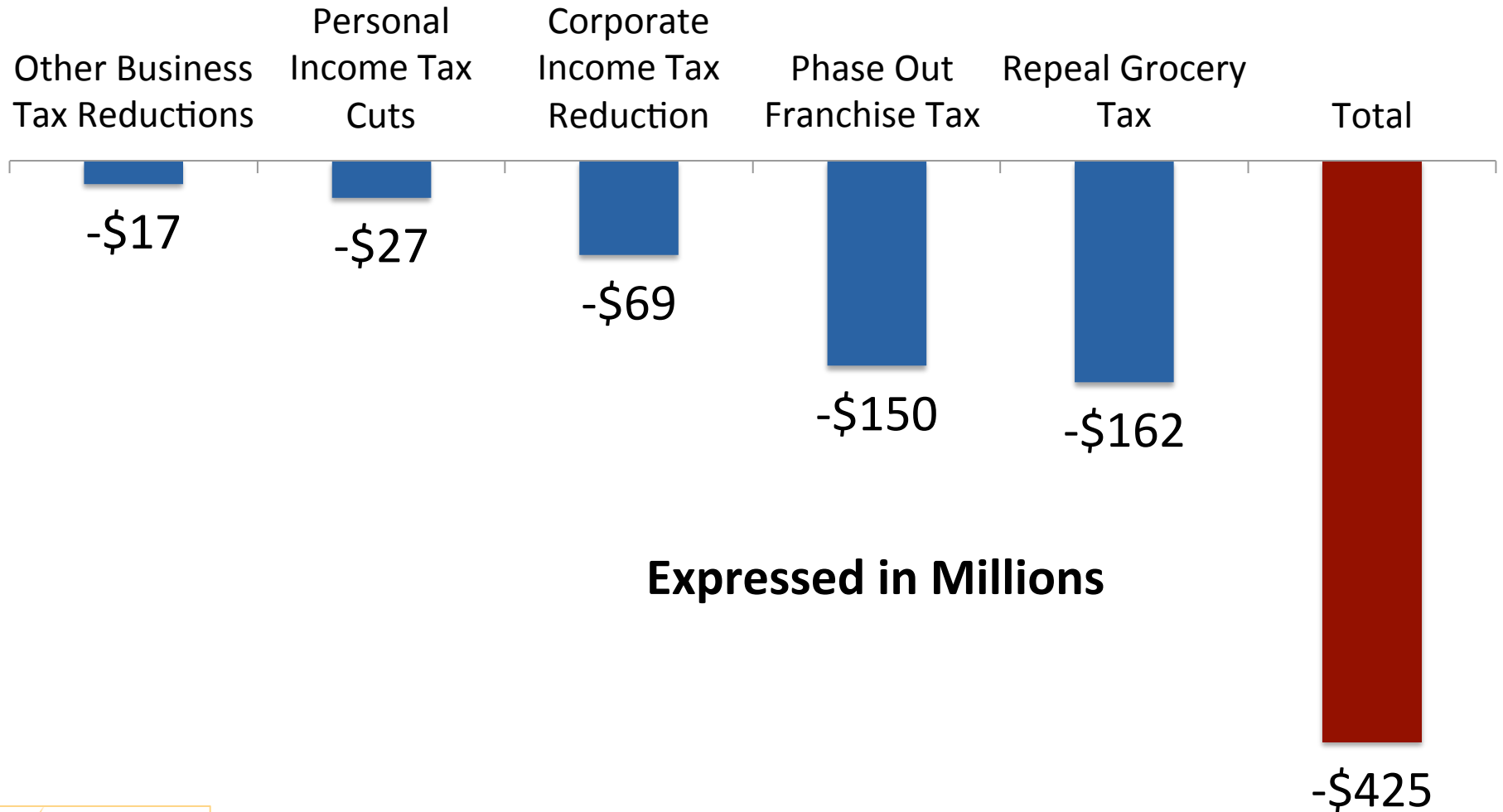
As state revenue falls relative to economy, WV loses ability to invest

WV General Revenue Fund as a share of state personal income, 1990-2015

At 6.8%, WV GRF collections would have been \$445 million more in FY 2015



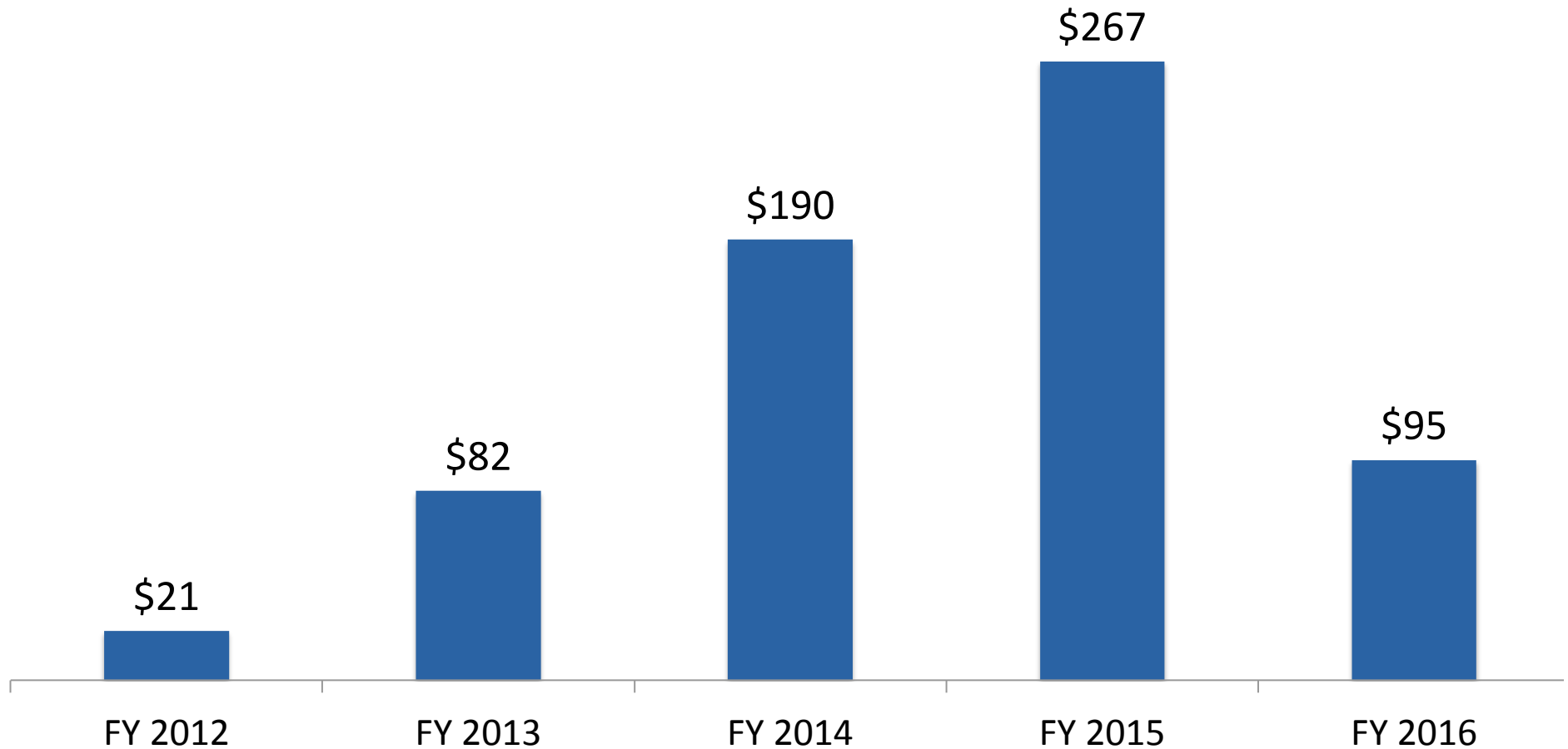
Major tax reductions since 2006 hurting revenue growth



Expressed in Millions

Medicaid has a structural budget deficit

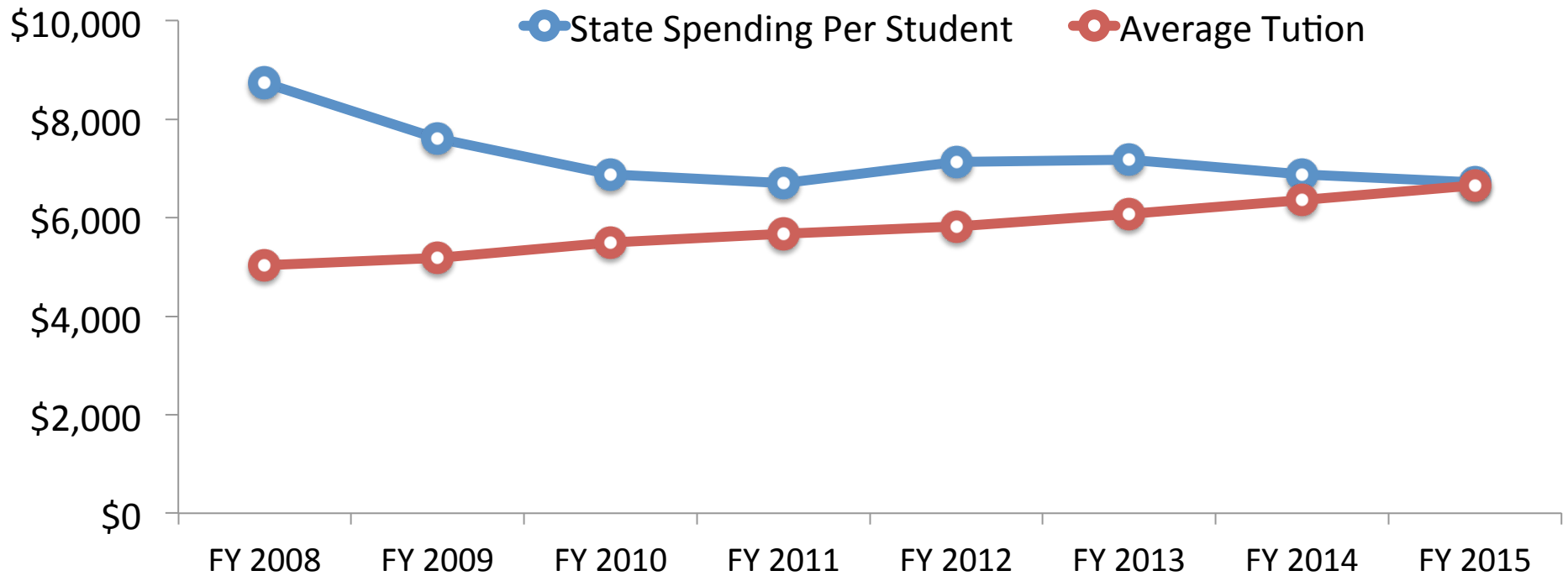
One-time state-source revenue appropriations to Medicaid
(in millions)



Source: WVCBP analysis of WV State Budget Office data

Years of Cuts Threaten to Put College Out of Reach for More Students

Tuition up 32.4% and state funding down 23% in West Virginia since 2008



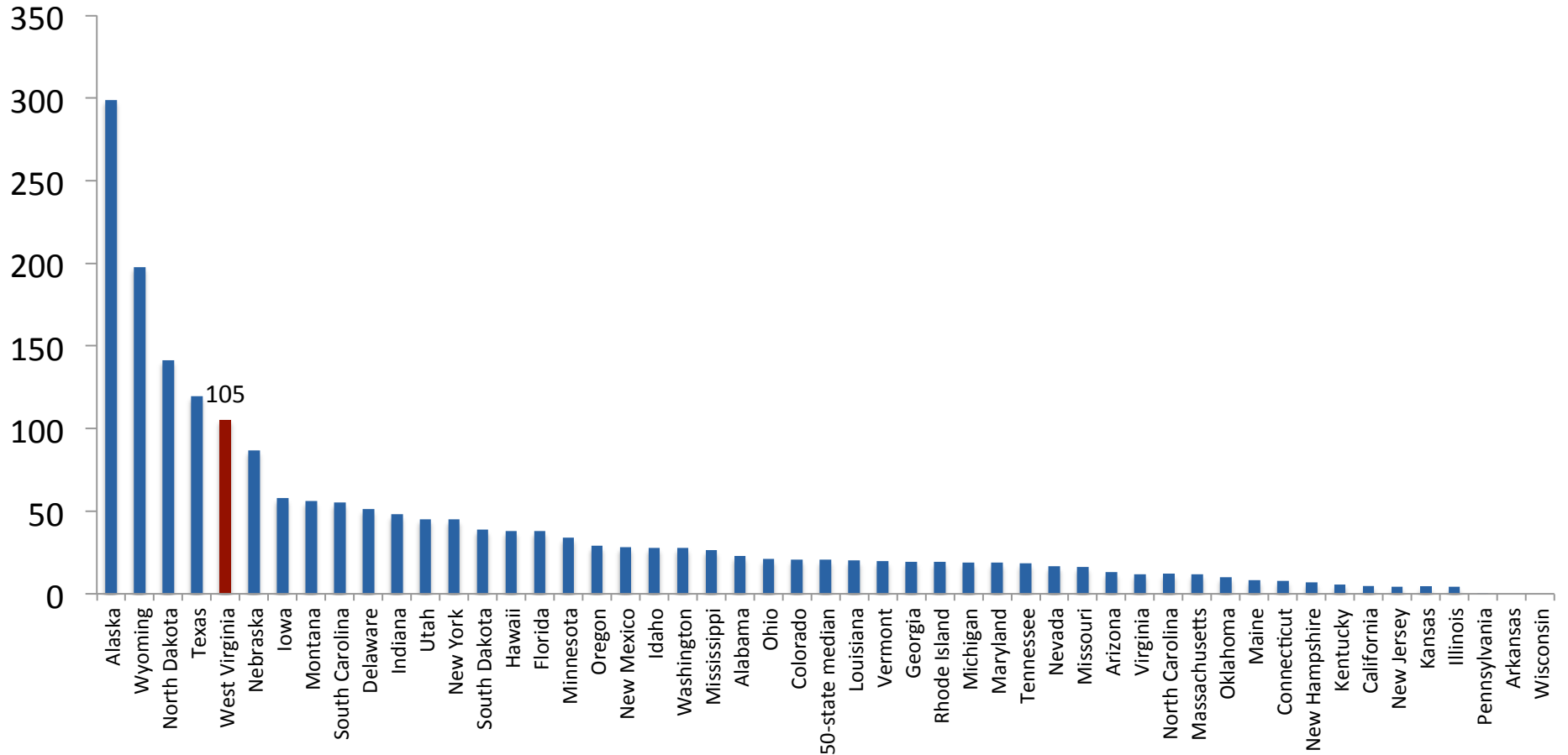
Source: Center on Budget and Policy Priorities

Other major budget challenges

- Public Employees Insurance Agency (PEIA) shortfall of \$124 million.
- FY 2016 budget gap of \$250 million and FY 2017 budget gap of an estimated \$200 million.
- \$1 billion in underfunded road maintained and repair.
- Declining and graying state population.

West Virginia has strong reserve funds

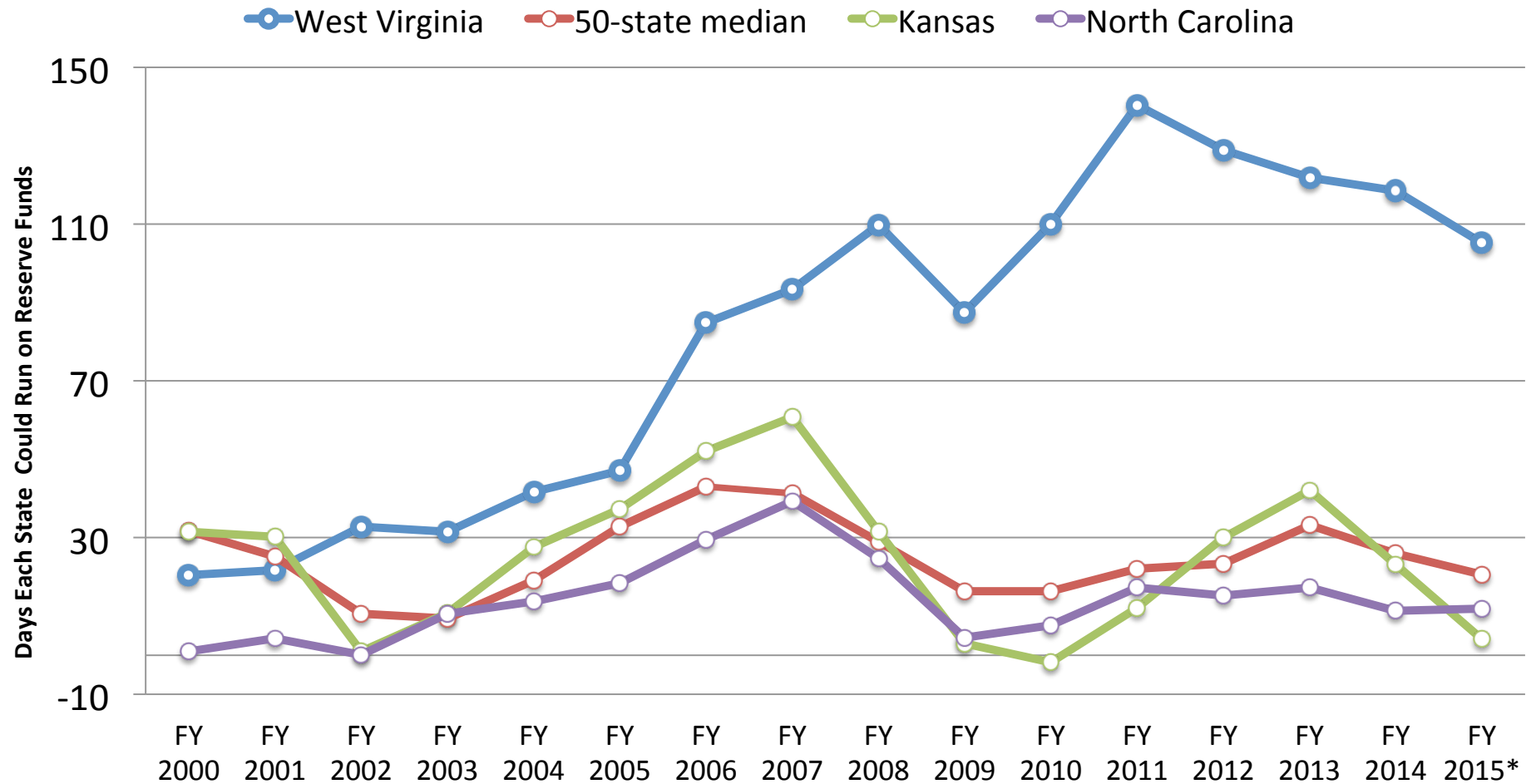
Days' worth of General Fund expenditures in reserve funds, FY 2015



Source: Pew Charitable Trusts analysis of National Association of Budget Officers (NASBO) data

West Virginia reserve funds are declining

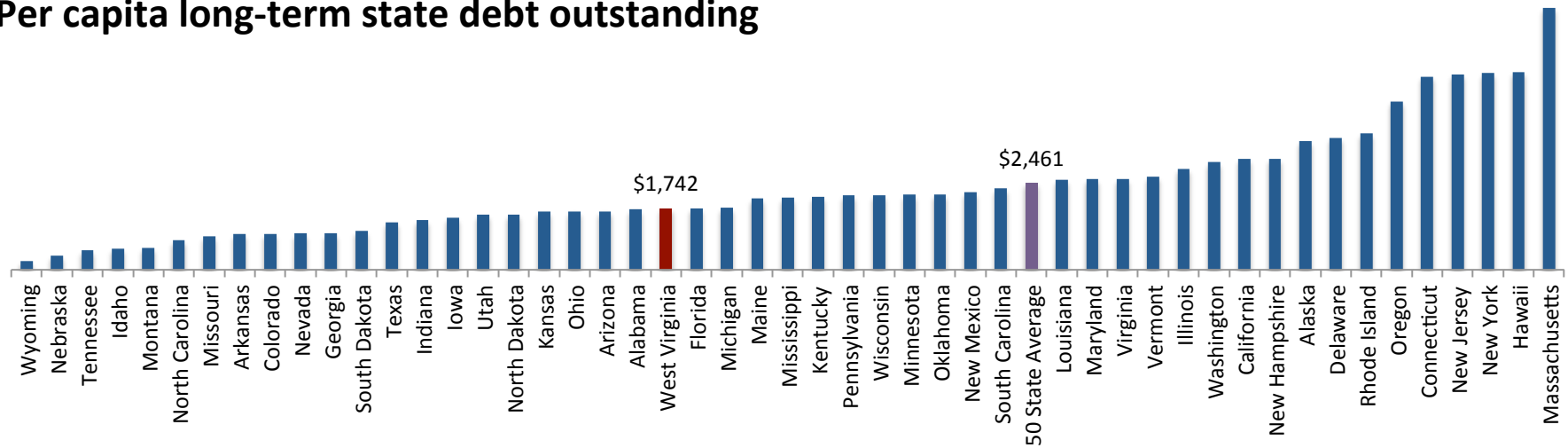
Kansas and North Carolina have weak reserves



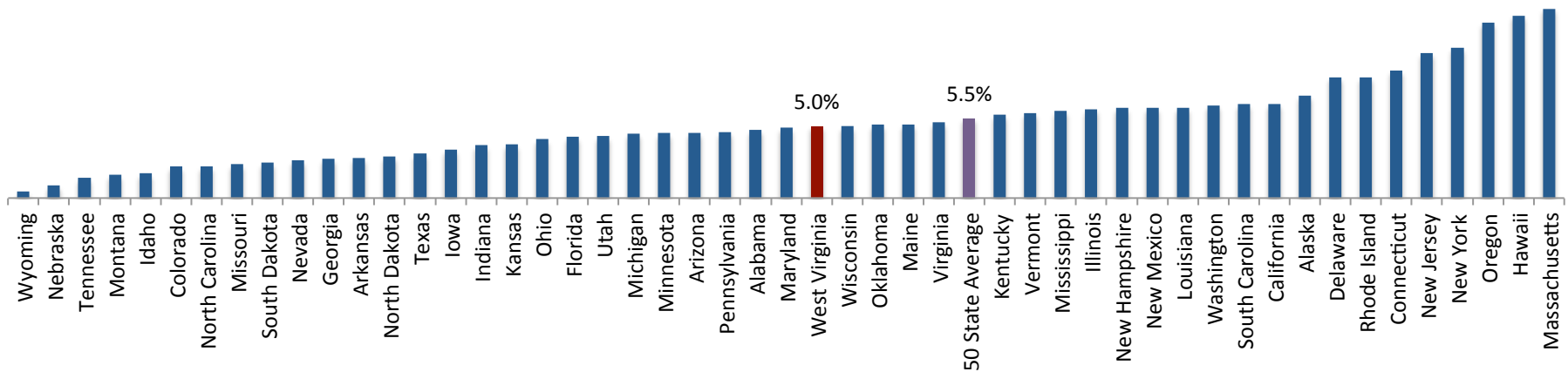
Source: Pew Charitable Trusts analysis of National Association of Budget Officer (NASBO) data
*FY 2015 Estimate

West Virginia's long-term debt is below average (2013)

Per capita long-term state debt outstanding

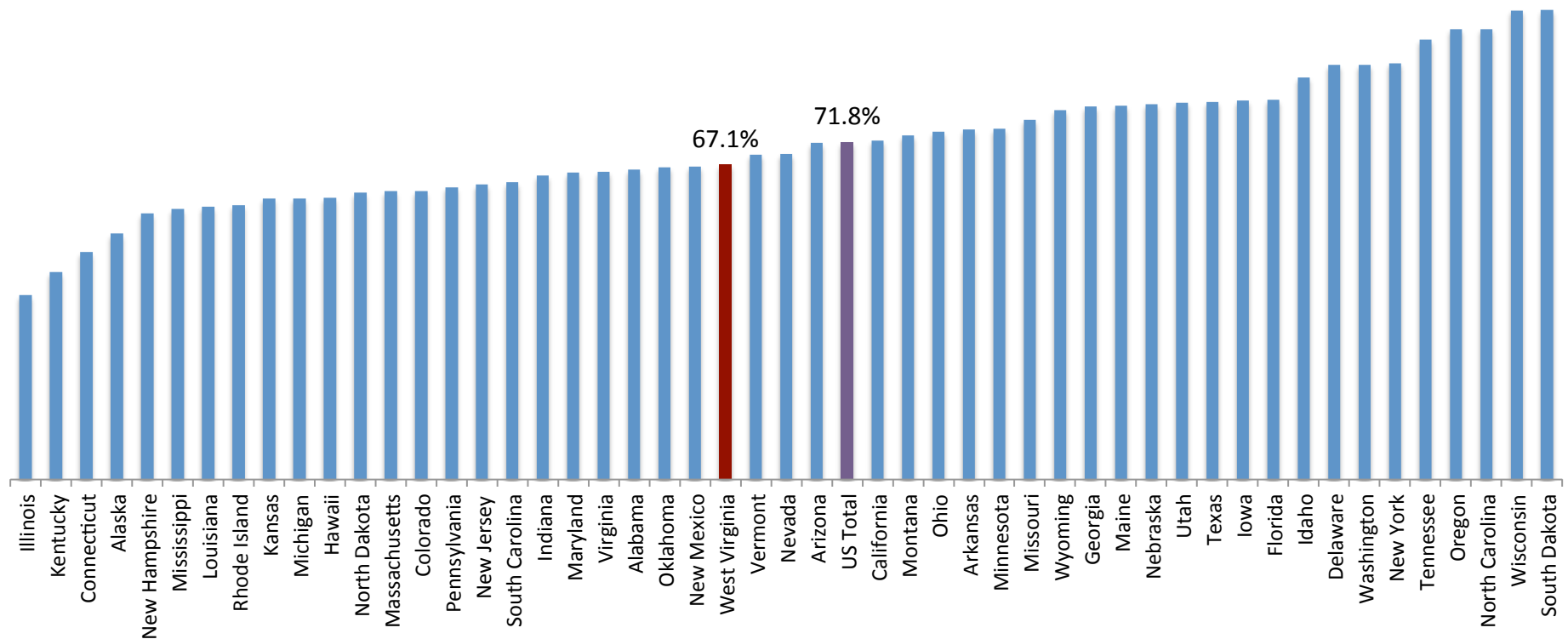


Long-term state debt outstanding as a share of state personal income

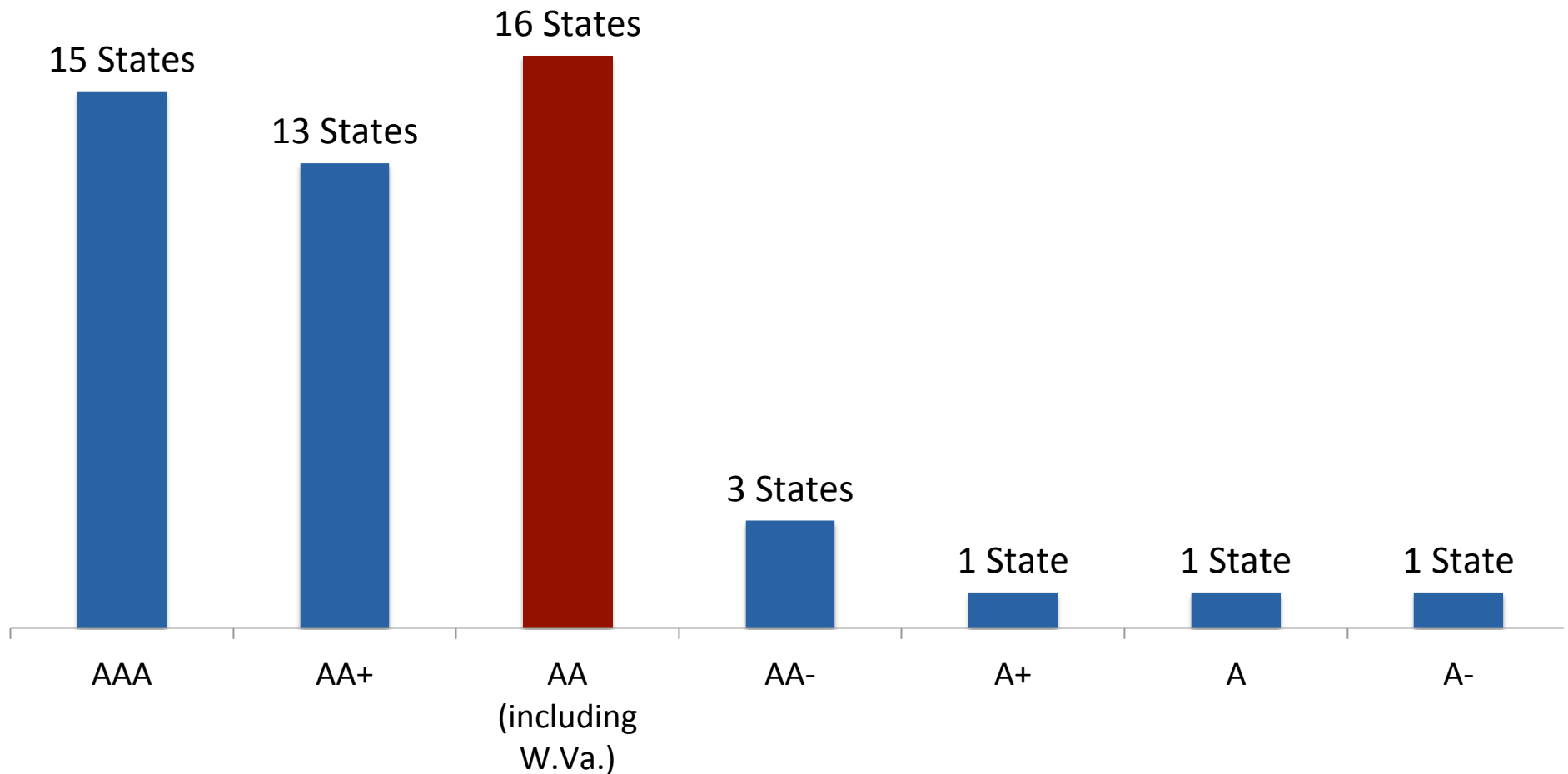


West Virginia's pension funding ratio below average but greatly improved

Ranking has improved from 50th in 2003 to 27th in 2013

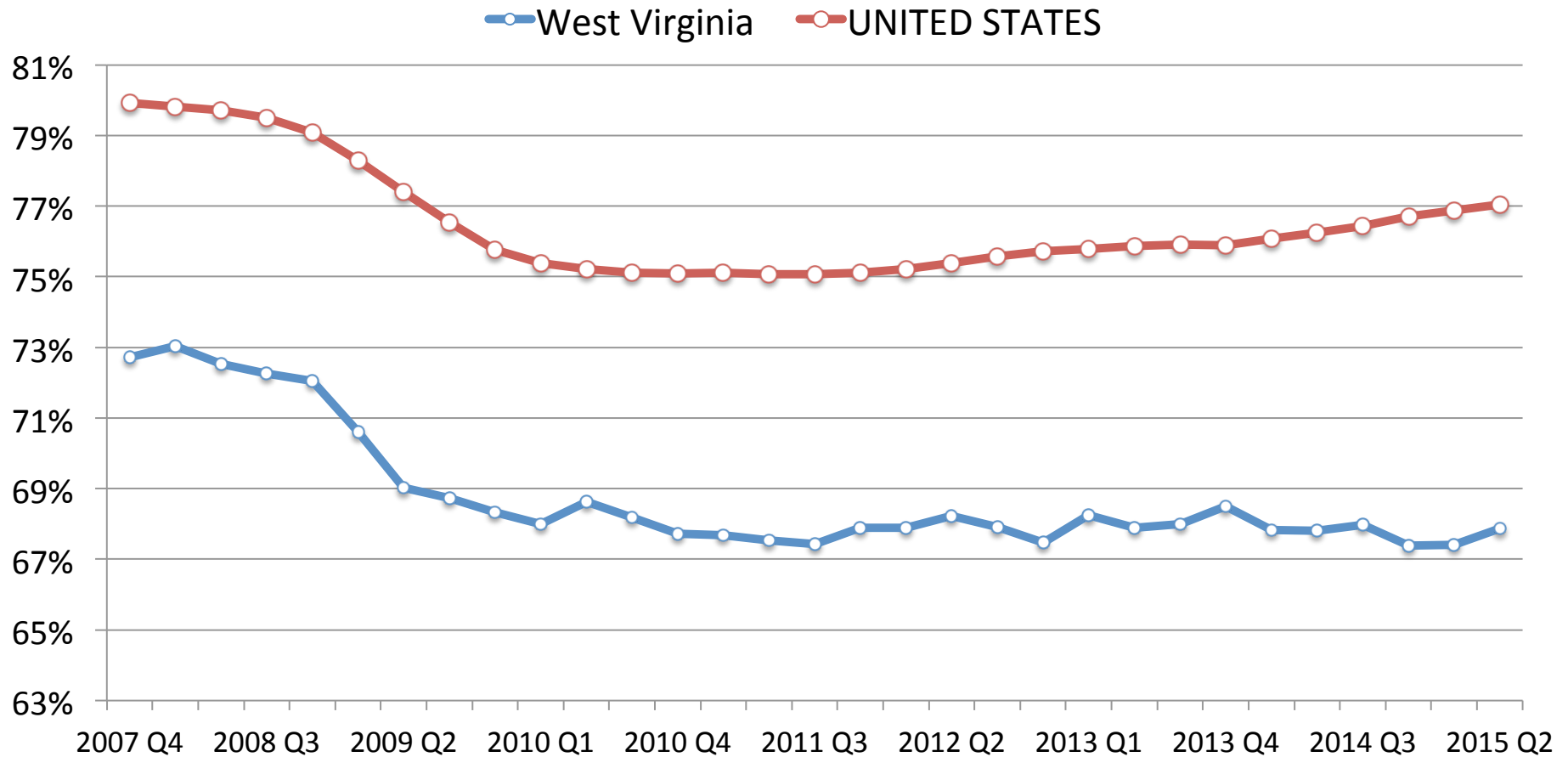


West Virginia's credit score below average Standard & Poor's (general obligation bonds), 2014



West Virginia employment rate unrecovered and lowest in nation

Employment to population ratio for those 25 to 54 year olds



Tax Policy Principles

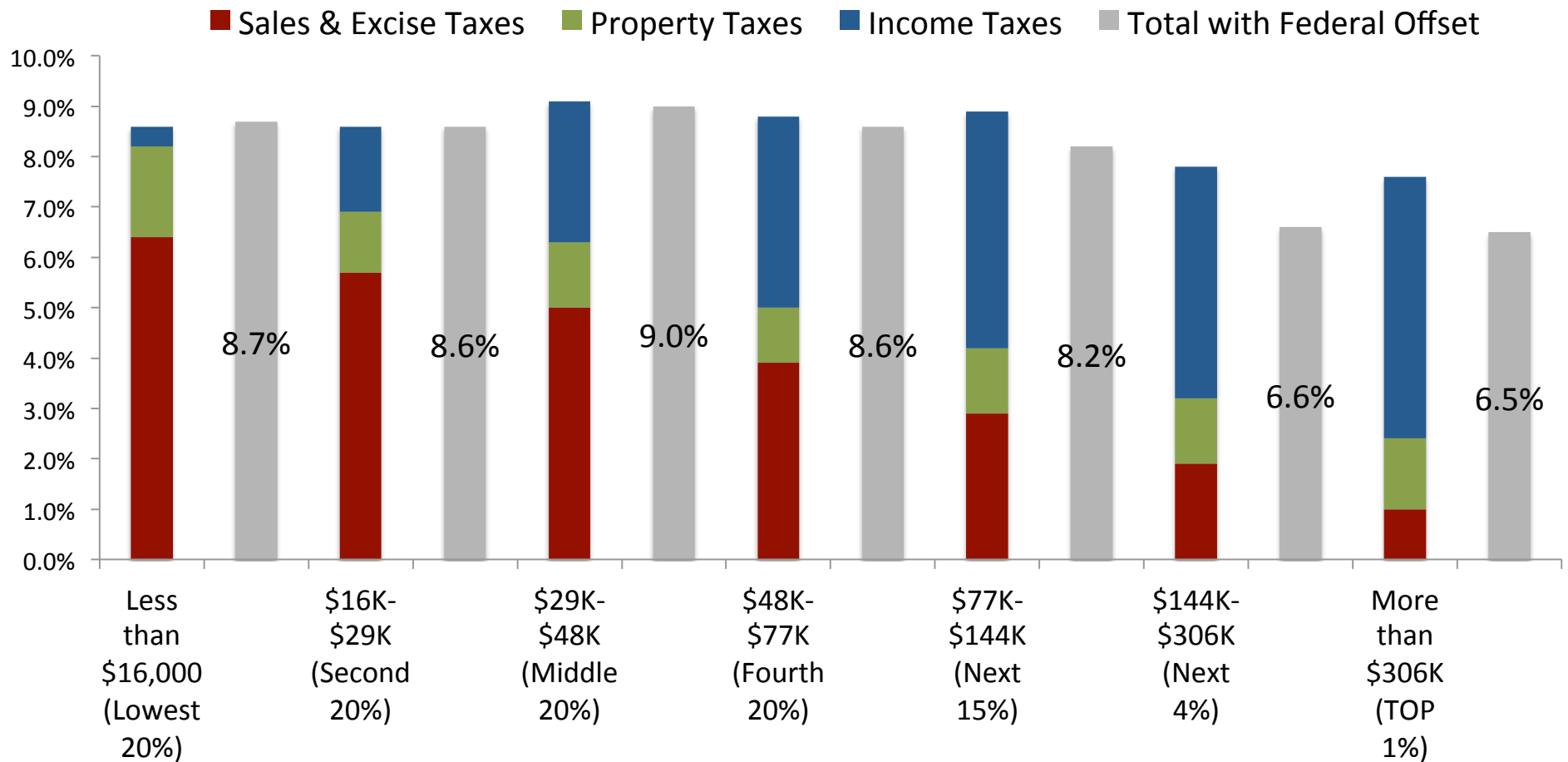
- **Equity:** A fair and equal tax system is one that demonstrates both “vertical” and “horizontal” equity.
 - Vertical equity means that people with a greater ability to pay should pay more.
 - Horizontal equity means that people in similar situations with the same ability to pay should pay equally.
- **Adequacy:** An adequate tax system raises enough funds to sustain the level of public services demanded by citizens and policymakers in the short and long-term. Two factors that contribute to adequacy of a tax are stability and elasticity.
 - **Stability** means tax revenue grows at a predictable rate (e.g. property tax) and **elasticity** is whether growth in a specific tax keeps up with the economy (e.g. personal income tax).

Tax Policy Principles Con't

- **Simplicity & Transparency:** A tax system should be easy to understand, accountable, and transparent. Taxpayers should not have to navigate through complex requirements. Simple tax systems have fewer loopholes.
- **Exportability:** Ensuring that individuals and companies based in other states who benefit from our state's public services pay their fair share (e.g. Motor Fuel Tax).
- **Efficiency:** An efficient tax system encourages neutrality by staying out of the way of economic decisions. In other words, tax rules should not favor one industry or investment over another. For instance, a book purchased online should be subject to the same sales tax rate as a book bought at a local bookstore.

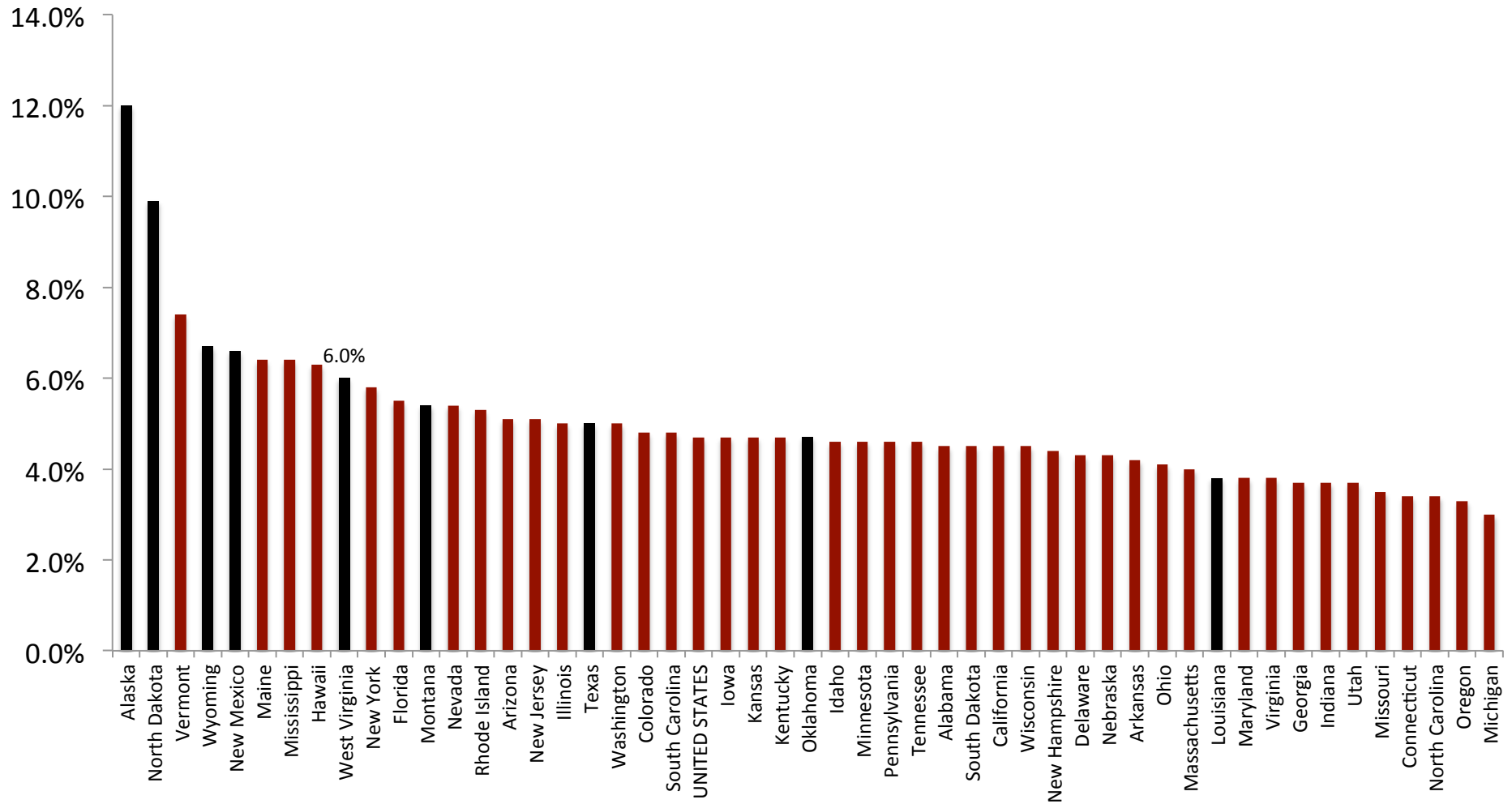
WV has an upside down tax system

West Virginia state and local taxes as a share of income Non-Elderly Families, 2015



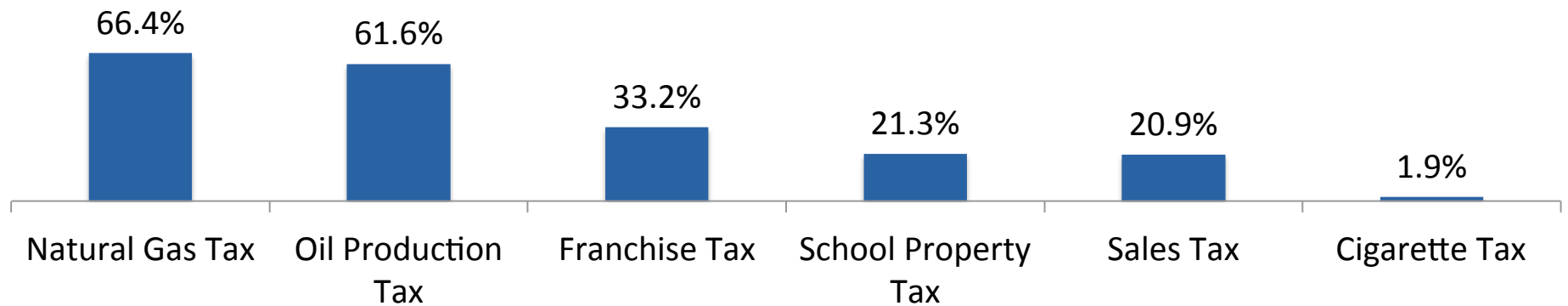
Natural resource extraction states tend to have higher business tax rates

Business taxes as a share of private-sector GDP (2013)



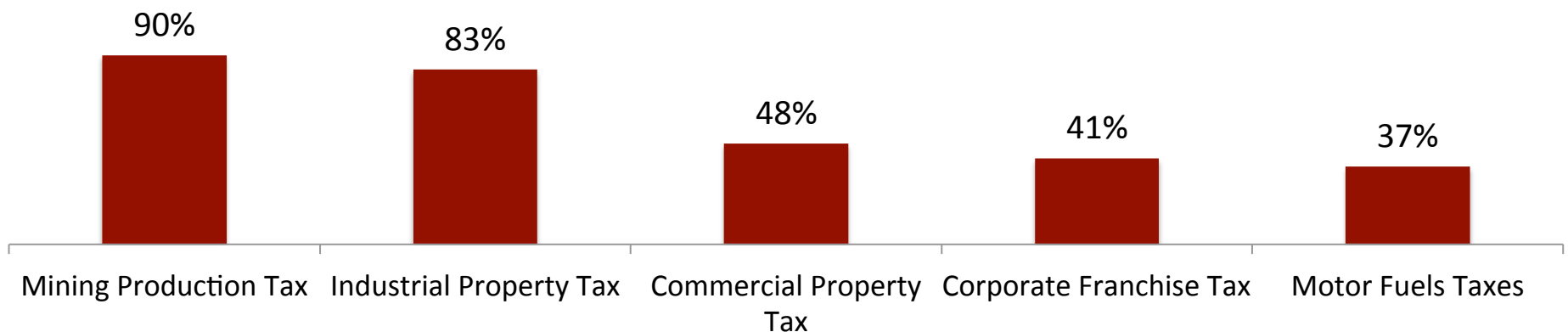
Natural resource production and many business taxes are highly exportable

Percent of Texas taxes paid by non-Texans



Source: Tax Exemptions & Tax Incidence, March 2015, Texas Comptroller

Percent of Minnesota taxes paid by non-Minnesotens

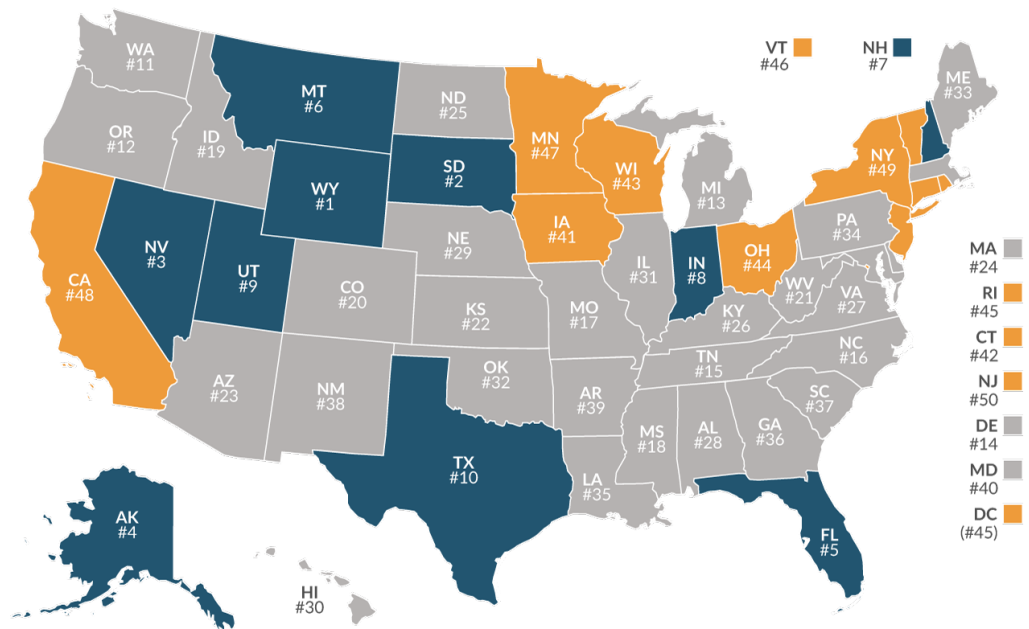


Source: 2015 Minnesota Tax Incidence Study. March 9, 2015 Minnesota Tax Research Division

Tax Foundation adjusts for exportability of severance taxes when calculating business tax index

Exportability explains (in part) how natural resource states have higher business tax rates but have “competitive business tax systems.”

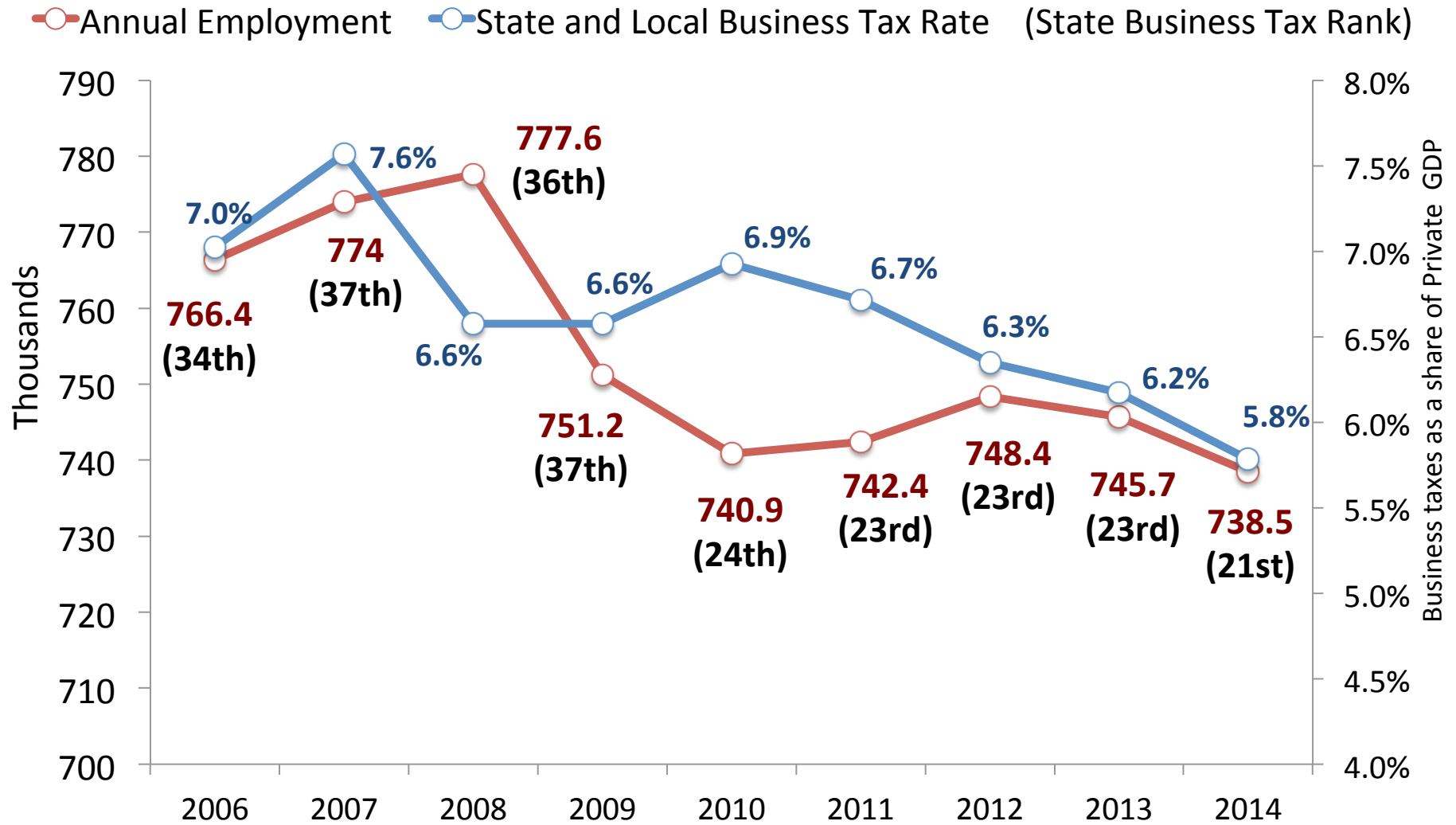
2015 State Business Tax Climate Index
Which states have the most competitive business tax systems?



Note: Published October 28, 2014.
Source: State Business Tax Climate Index.

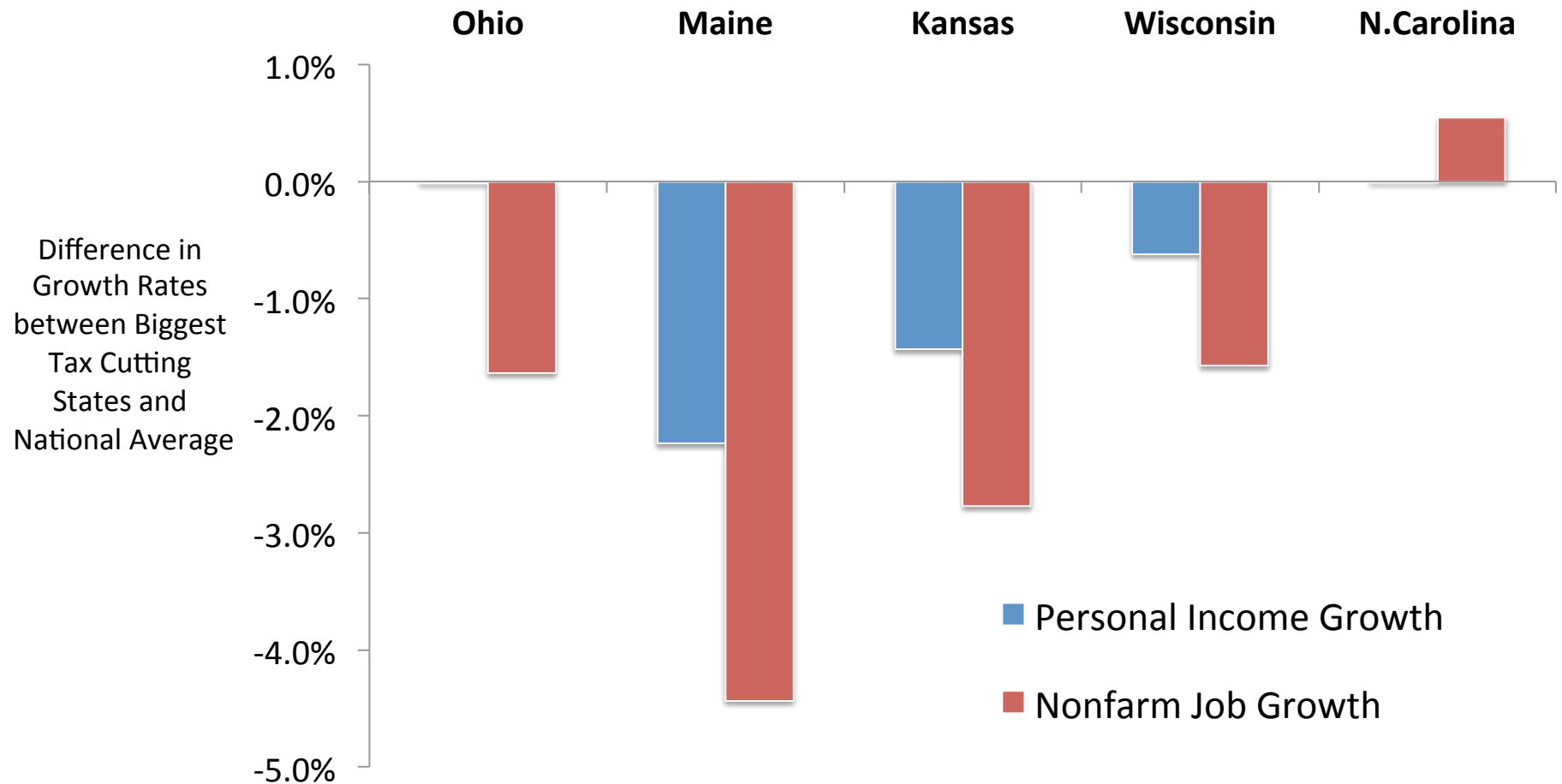
■ 10 Best Business Tax Climates
■ 10 Worst Business Tax Climates

Large business tax cuts and improving “business tax climate” not corresponding with job growth in West Virginia



Biggest Tax Cutting States Not Seeing Economic Boom

Total nonfarm and personal income growth since the tax cuts took effect



Source: Bureau of Labor Statistics, August 2015, and Bureau of Economic Analysis, 1st Quarter of 2015

Note: Effective dates for tax cuts are June 2013 for Ohio, January 2012 for Maine, January 2013 for Kansas, January 2013 (retroactive from June 2013) for Wisconsin, and January 2014 for North Carolina. For personal income growth, period starts quarter before tax cuts effective and for nonfarm employment month before tax cuts enacted.

Link Between Tax Cuts & Economic Growth

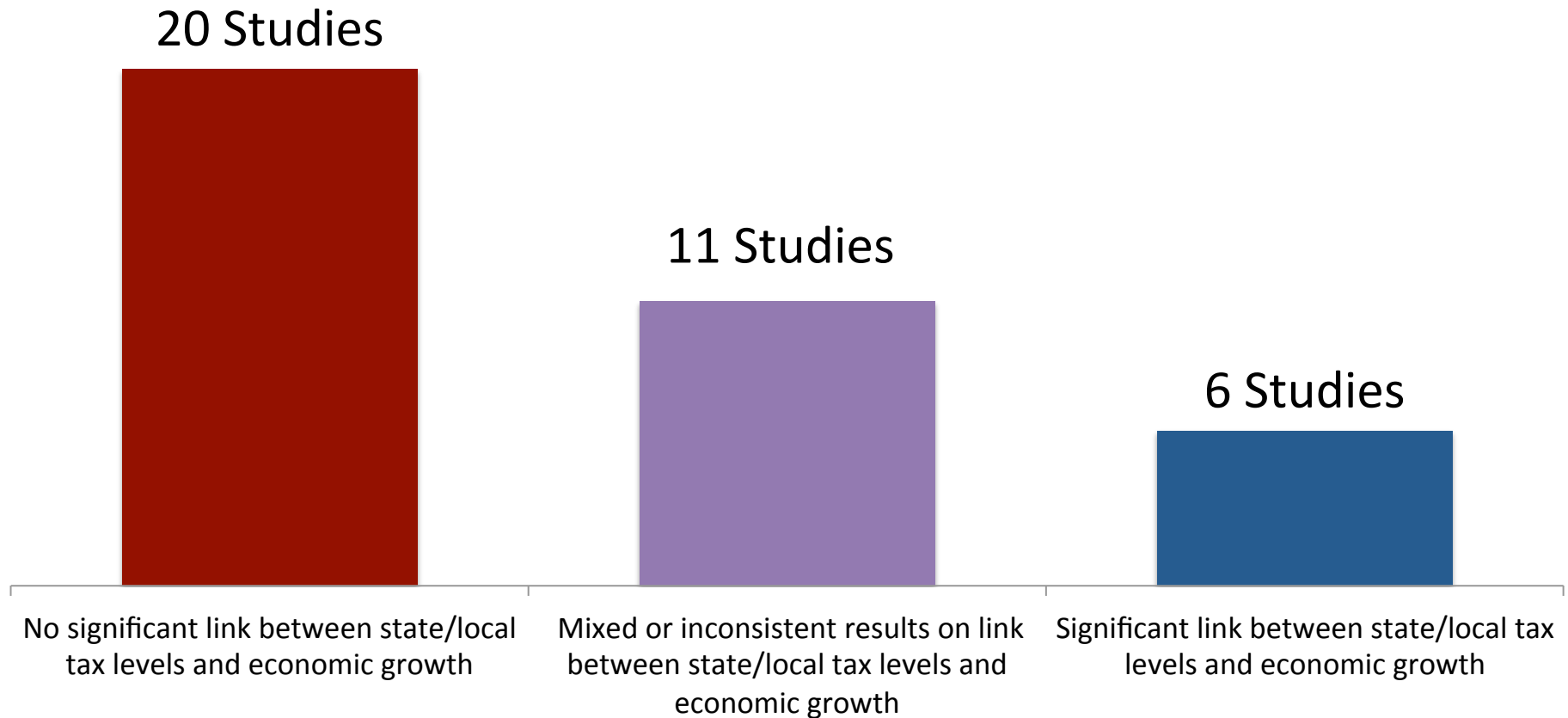
There is no consensus whatsoever that cutting taxes is a good strategy to boost state economic growth and create jobs.

“Clearly, taxes affect behavior; they affect some behaviors more than others. What has not been established is that the level of taxes has a clear and important impact on economic growth. And one reason is that this is not a well-posed question. How government activity affects prosperity depends not only on the level of taxes, but also on what the money is used for.”

-- University of Michigan tax economist Professor Joel Slemrod

Most academic research shows state tax levels have little or no impact on economic growth

Number of peer-reviewed articles in academic journals and books since 2000

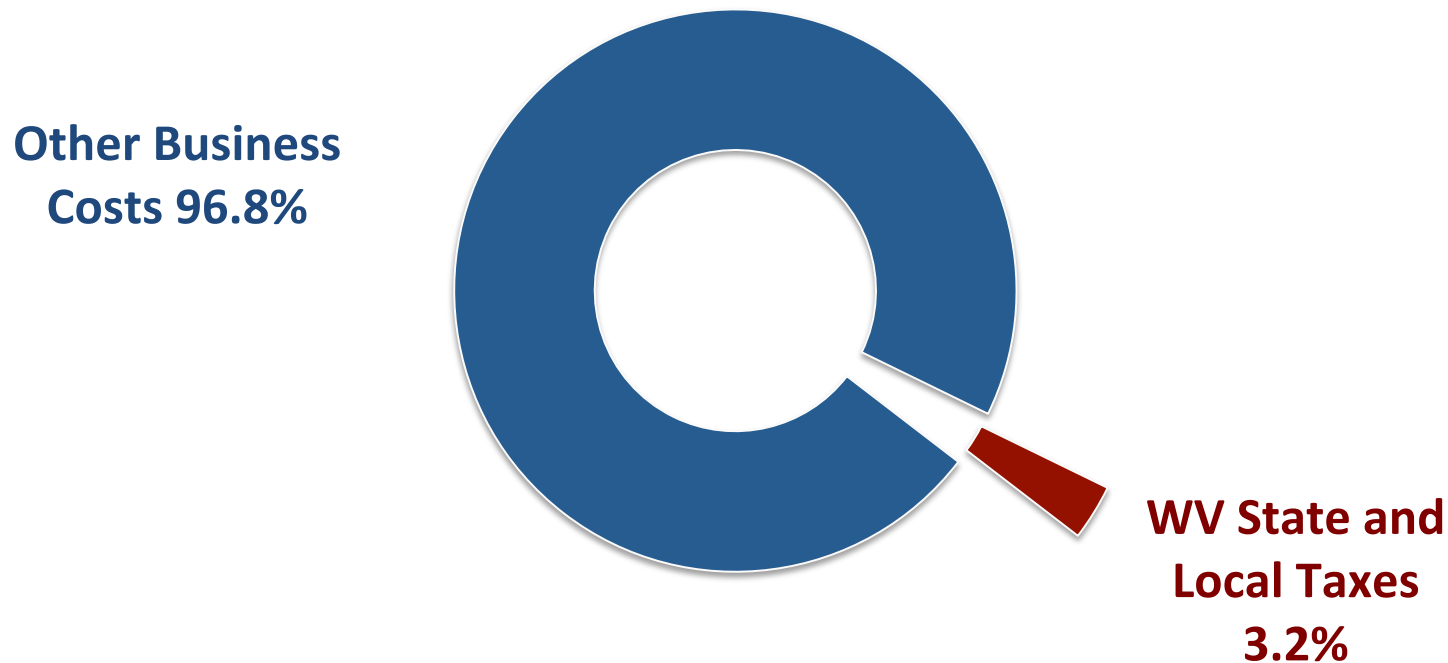


Why don't business tax cuts work?

The cost of labor, electricity, property, equipment, raw materials and transportation are very often more substantial costs for businesses than taxes and can have a greater impact on profit margins - especially in different states.

Business Taxes Small Share of the Cost of Doing Business

(Source: WVCBP analysis of 2012 IRS, COST, and BEA data)



A skilled and knowledgeable workforce is a higher priority for businesses

- A recent report from the **Center for Business and Economic Research at the University of Kentucky** asked the question, why does Kentucky, a state similar to West Virginia, lag behind the rest of the south when it comes to economic growth? Of all the factors examined in the report – taxes, infrastructure, the size of government, business climate, etc. – *the biggest factor in Kentucky's poor economic performance was its stock of knowledge, particularly its low levels of education among its workers.*
- For businesses looking to locate or expand into a state, the quality of the workforce is one of the most important factors. A survey of corporate executives by **Area Development Magazine** found that *availability of skilled labor was second only to highway accessibility* in the most important site selection factors for businesses.
- Many factors other than taxes can influence state economic growth and business investment, including climate, workforce, regulations, energy prices, economic recessions, federal and monetary policy, quality of life and amenities, consumer demand, public infrastructure and transportation, available sites, proximity to markets and suppliers, access to raw materials, and more.

West Virginia Property & Local Tax Options

- **Gradually Restore Regular Education Levy Rates:** The tax rates are nearly 15.5% lower than the rates in place prior to 1992 (*Recommendation was included in WV Early Childhood Planning Task Force, September 2014*)
- **Modernize Excess Acreage Tax:** Since 1905, a corporation purchasing more than 10,000 acres or more of real property in the state is subject to a one-time five cents per acre tax on owning the property. In 1999, *Governor Underwood's Commission on Fair Taxation (3-694)* recommended increasing this tax to 50 cents per acre, making it an annual tax, lowering the threshold to 1,000 acres and allowing a credit against the state's severance tax. This is a step in the right direction and it is long overdue. Consider a graduated rate structure starting at 50 cents per acre (1,000-2,499) and ending at \$5.00 per acre above 250,000 acres. Potential yield = **\$10.6 million annually**.
- **Close the Online Hotel Tax Loophole:** West Virginia allows online travel companies like Expedia, Orbitz, and Priceline to collect taxes on only part of the sales taxes due on hotel room bookings. This costs local governments in West Virginia an estimated **\$1 to \$2 million annually**.

West Virginia Sales & Use Tax Options

- **Expand Sales Tax to Include Digital Downloads:** West Virginia has not updated its sales taxes to cover various goods and services sold and delivered on the internet - including software, music, movies, games, and books – even though West Virginia taxes the sale of identical items sold in physical stores. Estimated yield is **\$3.7 million** annually.
- **Expand Sales Tax to Include Barber Shops, Beauty Salons, Nail Salons, Massage & Tattoo Parlors and Fitness Centers:** Over the last several decade West Virginia's economy has shifted from producing goods (e.g. steel) to providing services (e.g. retail), but the tax code has not modernized to keep up with all of these changes. While West Virginia taxes more services than most states, there are many personal services (e.g. haircuts, health clubs, etc.) that are exempt from the sales tax for no discernible reason. Estimated yield is **\$5.8 million** annually.

West Virginia Income Tax Options

- **Scale Back Personal Exemptions:** West Virginians are provided a \$2,000 personal exemption for each household member. Unlike the federal government that phases out its personal exemptions, West Virginia does not. If the \$2,000 per person exemption were phased out for joint filers between \$150,000 and \$200,000 and eliminated for those over \$200,000, it would increase revenue by an estimated **\$9.9 million** and improve the progressivity of our state's personal income tax.
- **Modernize Personal Income Tax Rates & Brackets:** West Virginia's personal income tax schedule has not changed since 1987, when the state's top personal income rate was reduced from 13 to 6.5 percent. West Virginia should adjust its brackets and rates to better reflect modern income levels. This could include adopting a new bracket for higher-income earners and perhaps even lower rates for low and middle-income residents. For example, a new top bracket of 7.4 percent on taxable income above \$150,000 would increase revenue by an estimated **\$44.8 million**.
- **Create a refundable state earned income tax credit (EITC):** Twenty-six states and the District of Columbia have created earned income tax credits to supplement the federal EITC. The EITC is a proven tool to fight poverty, increase labor force participation, help low-income working families make ends meet and has lasting effects such as improving the health, educational achievement, and earnings of children that are EITC recipients. A refundable WV EITC at 15% of the federal credit would **cost approximately \$45 million**.
- **Reinstate the Estate Tax:** First enacted in 1904, West Virginia's estate tax effectively ended in 2005 when the state did not decouple from the federal estate tax changes. Today, 21 states collect over \$4.5 billion per year from their estate tax while West Virginia collects next to nothing. Reinstating this tax could raise an average of **\$15 to \$20 million** per year.
- **Close Tax Haven Loopholes:** While West Virginia has closed several corporate tax loopholes by enacting combined reporting, it did not include offshore tax havens beyond the U.S. border. West Virginia should replace its "water's edge" with "world-wide" combined reporting to include offshore tax havens. According to the U.S. Public Interest Research Group, this could generate an estimated **\$9.6 million**.

West Virginia Severance Tax Options

- **Extend Workers' Compensation Debt Taxes:** According to the governor's budget report, the workers' compensation debt fund will be paid off by 2016. This debt is currently financed by several revenues sources, including a severance tax on coal (56 cents per ton), natural gas (7.7 cent per MCF), and timber (2.78 percent of gross value). Altogether, these taxes yield about **\$80 to \$100 million** per year. Because the severance tax is highly exportable, and West Virginia under taxes its mineral wealth compared to many western states, it makes sense to extend all or part of these taxes to help balance the budget and fund important public investments (e.g. roads) and economic diversification.
- **Explore Taxing Exported Shale Gas at a Higher Rate:** A new severance tax incentive, based on a higher rate for natural gas liquids, with a credit to related in-state industries, may encourage ethane cracking and other chemical manufacturing to create in-state jobs while generating additional tax revenue for investment in infrastructure and human capital. If West Virginia increased its severance tax on natural gas liquids from five to ten percent, it would increase revenue by an estimated **\$168 million over the next five years**. A portion of this revenue could go into the WV Future Fund.
- **Fund the West Virginia Future Fund:** Legislation passed last year creating the West Virginia Future Fund contained several triggers that have to be met in order for the fund to receive severance tax revenues. The triggers should be removed to allow the fund to build.

West Virginia Lottery & Sin Tax Options

- **Scale Back or Eliminate Greyhound Breeding Subsidies:** A recent audit found that the **\$29 million** in annual lottery revenue that is used to subsidize greyhound racing in the state only yielded \$30 million in sales. The audit concluded, “West Virginia could put the casino supplements to better use for the benefit of West Virginians.” Lawmakers should explore drastically scaling back or ending this subsidy.
- **Increase the Tobacco Tax:** The tax on cigarettes was last increased over a decade ago and West Virginia currently has the 46th lowest cigarette tax among the 50 states. West Virginia also has a very low tax on non-cigarette tobacco products. Increasing the cigarette tax to \$1.55 per pack and increasing the tax on other tobacco products to 50 percent of wholesale price would provide an estimated **\$137.2 million** in additional revenues. Additionally, it could drastically reduce health care costs and prevent deaths, teen smoking, and other chronic health conditions associated with tobacco use. West Virginia could also begin taxing E-Cigarette products. For example, Minnesota taxes electronic cigarettes, and e-juice that contains nicotine, at 95 percent of their wholesale price.
- **Raise Taxes on Alcohol Sales:** West Virginia should explore raising state tax rates on liquor and beer, including raising the sales tax on liquor from five percent to six percent. Increasing the beer barrel tax from \$5.50 per barrel to \$11.00 per barrel would increase revenue by an estimated **\$7.1 million**, and requiring the Alcohol Beverage Control Administration to set higher wholesale prices on liquor and wine could yield an additional **\$6.5 million** to the General Revenue Fund.

Improving Transparency & Accountability

- **Tax Expenditures:** While West Virginia is currently not doing enough to properly evaluate its business tax expenditures, there are several ways the state could dramatically improve its evaluations. The WV Tax Credit Review and Accountability Report, the complete Tax Expenditure Study, and the WV Tax Credit Disclosure List should be published on an annual basis. Company-specific information pertaining to tax credits and incentive programs – including the recipients, amounts, demographics, and job-related outcomes – should be disclosed. All reports should be published in an online, easily accessible, and searchable database. Information identifying amounts of subsidies subject to redetermination should be published, and all major business tax incentives should be subject to these provisions.
- **Require Corporate Disclosure of Taxes:** With the end of the Business Franchise Tax in 2015, many corporations are paying nothing in Corporate Net Income Taxes. West Virginia should explore mandating company-specific corporate tax disclosure by all publicly traded corporations and their subsidiaries doing business here, and explore enacting a corporate minimum tax to ensure that all companies are paying something for the government services they receive.
- **Unified Economic Development Budget:** Five states – Rhode Island, New Jersey, Vermont, Texas, and Illinois – have enacted some type of unified economic development budget to compile all on-budget and off-budget economic spending into a single document. This enables policymakers to see how subsidies are distributed from various public agencies between regions, industries, and companies.

Improving Transparency & Accountability Con't

Improve Fiscal Notes

- Fiscal notes should be reviewed and finalized by a neutral and independent source, rather than the affected agency. Establishing an independent Legislative Fiscal Office or allowing the budget division of the Joint Committee on Government and Finance to produce or oversee fiscal notes would eliminate the potential for agency bias. Agencies should be encouraged to provide information, but the primary oversight of the fiscal note should be independent.
- The creation and enforcement of written criteria and standards that fiscal notes must meet should also be a key aspect of the oversight role. While legislative staff exercises some oversight of the fiscal note process, it is informal and subjective.
- The legislative rules governing fiscal notes should be revised, ensuring that fiscal notes are standardized, accurate, and comprehensive. Local impacts should be separated from state impacts, and official estimates backed by data need to be distinguished from uncertain estimates based on limited information.
- All fiscal notes should contain an explanation of the method used to produce the cost estimate and the reasons why the method was used. Costs and offsetting revenues should be fully calculated and explained. All fiscal notes should also describe the assumptions used to determine the estimate. While agencies are currently instructed to do this, these explanations rarely make it into the final fiscal note.
- West Virginia should add a feature to the legislature's website allowing for searchable fiscal note tracking. This would ensure that all fiscal notes are easily found and publicly available.

Improving Transparency & Accountability Con't

Enact Consensus Revenue Estimate: West Virginia's process for estimating revenues is tilted too far toward the Executive Branch. Unlike many states, the West Virginia legislature does not work with the executive branch to produce a consensus revenue forecast. When one branch is excluded from this process, key decision makers are more likely to dismiss or dispute the revenue estimates. Creation of an independent Legislative Fiscal Office would provide nonpartisan oversight of the state's budget and create greater balance in the decision-making process. This office could also provide more accurate fiscal notes and estimates of the costs of proposed legislation.

Enact PAYGO: In West Virginia, as in most states, it is impossible for policymakers to know whether proposed program increases or tax cuts are affordable over the longer term. PAYGO or "pay-as-you-go," is a requirement where the governor and the legislature fully offset over a 5-year period the cost of proposed and enacted increases in spending or reductions in revenues through spending cuts or revenue increases. Together with multi-year projections and current service budgeting, PAYGO could help assure that West Virginia does not use temporary spikes in revenues to enact spending increases or tax cuts that they cannot afford over the long term. It could also minimize the need for deep budget cuts and large tax increases when the economy is weak, particularly if the state deposits revenues that cannot be spent under PAYGO rules in a well-designed stabilization

Improving Transparency & Accountability Con't

Improve Online Transparency: Traditional incremental budgeting in West Virginia can sometimes lead to flawed decision-making; efforts toward performance and program budgeting should be given adequate consideration in budget development. These measures would enhance accountability of the budgeting process. With growth in Internet technology, there is a trend toward revolutionizing transparency and accessibility to information through use of the Internet. West Virginia is not among the leading states in web transparency, and should do more to create a user-friendly web portal that provides citizens the ability to search across all agencies regarding expenditures and other detailed information

Current Services Baseline Budgeting: Preparing a current services budget promotes the goal of improving government efficiency. A regular, thorough examination of each program's costs and caseload can help policymakers and the public identify inefficiencies and programs that are no longer needed. And it can help "right-size" programs, avoiding either over-funding or under-funding them. By preparing and publishing these current services baselines, West Virginia can help involve a broad segment of its residents in decisions about how their tax dollars are spend, as well as provide policymakers with important information to help them evaluate policy proposals

Improving Transparency & Accountability Con't

Consider Conducting Tax Incidence Analysis: A tax incidence model would allow an objective look at the West Virginia's tax system in terms of income distribution and exportability and it would allow West Virginia to assess the regressivity or progressivity of proposed tax increases and decreases. Several states, including Minnesota, Texas, and Maine, have tax incidence models.

Implement Evidence-Based Policymaking: States across the country are utilizing evidence-based policymaking that allows policymakers to reduce wasteful spending, expand innovative programs and strengthen accountability. This is done through program assessment, budget development, implementation oversight, outcome monitoring, and targeted evaluation. For example, Minnesota recently passed bipartisan legislation that will help state policymakers study the effectiveness of corrections and human services programs and identify those with the greater return on investment.

For more information, please go to www.wvpolicy.org

Policy Brief



September 23, 2015

A Win-Win Marcellus Shale Tax Incentive

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The development of the Marcellus Shale has led to a boom in West Virginia's natural gas production. But aside from the increase in drilling activity and state and local tax revenue, the natural gas boom has not brought with it the jobs and economic growth that many predicted. While the state's natural gas production has increased dramatically over the past several years, West Virginia has lagged behind the rest of the country in terms of job growth and fewer West Virginians are employed today than before the boom. Even in the counties where production has increased the most, job growth has been lackluster.

The capital intensive nature of natural gas drilling can dampen its economic impact, creating fewer jobs than other more labor-intensive industries.[1] However, there may be bigger economic and job opportunities related to chemical-based manufacturing that needs the raw materials found in natural gas liquids, abundant in the Marcellus Shale region.

West Virginia and countless other states have a long history of using tax incentives to boost economic development and jobs. But the impact of the incentives is unclear, including the case of West Virginia's so-called "cracker bill," which failed to encourage the development of an ethane cracker plant or other major downstream activity.

With no large-scale ethane cracker facility and associated chemical-based manufacturing from natural gas liquids produced in West Virginia, other states are profiting on the state's natural resources. As West Virginia Secretary of Commerce Keith Burdette said, after Chesapeake Energy signed a contract to ship 75,000 barrels of ethane a day out of the Marcellus Shale region, "They're shipping out gas that could support investment here."^[2]

West Virginia can avoid these past failures while still using tax policy as a tool to encourage economic development. This brief proposes a modification of West Virginia's severance tax that would increase state revenue and also help realize the economic potential of the state's natural gas liquids.

Given that the Marcellus Shale region extends beyond West Virginia, and the overlap of West Virginia's shale economy with those of Pennsylvania and Ohio, policymakers should encourage a three-state dialogue about common severance tax policies that encourage processing within the region.

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