

The background features a large, faint watermark of the Seal of the West Virginia Legislature. The seal is circular with a rope-like border. Inside the border, the words "WEST VIRGINIA" are written in an arc at the top, and "SEPT. 20, 1863" is at the bottom. The center of the seal depicts the West Virginia State Capitol building, flanked by two olive branches. Above the building are thirteen stars.

COMMITTEE SUBSTITUTE FOR SJR NO. 9

**Amendment Authorizing
Legislature to Eliminate or Lower
Ad Valorem Tax on Motor
Vehicles and Any Other Tangible
Personal Property.**

Constitutional Amendment SJR No. 9

- To allow the Legislature to eliminate or lower ad valorem personal property tax by statute.
- Permits this to occur on one or more species of personal property.
- Does not permit the Legislature to raise property taxes above their current limits.

Constitutional Amendment SJR No. 9 - Continued

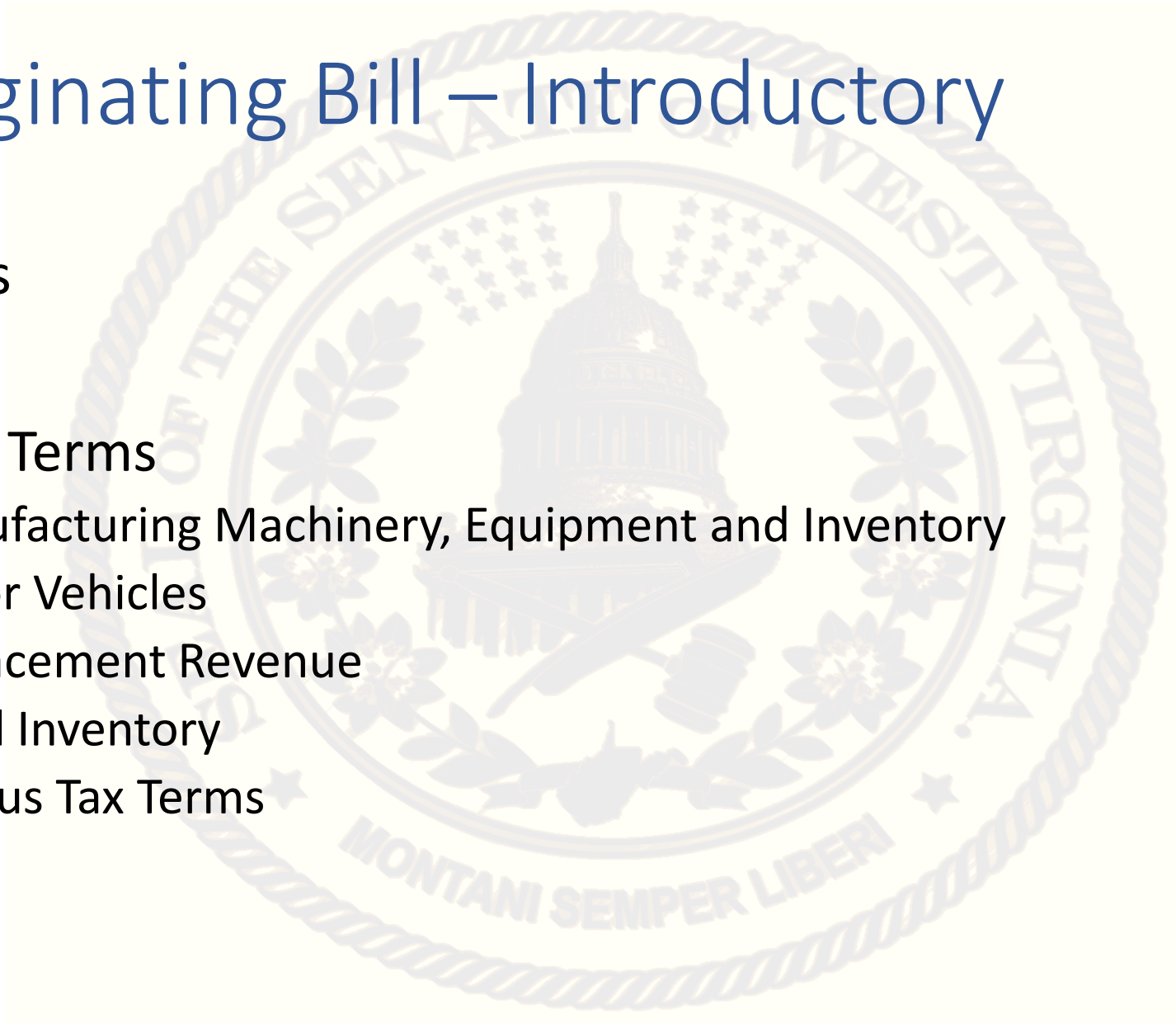
- Eliminates the current constitutional requirement for uniformity of taxation.
- Allows the Legislature to set different rates of statewide taxation, assessment, and/or valuation.
- Allows the Legislature to classify property in statute as real or personal for purposes of taxation.

ORIGINATING BILL



Originating Bill – Introductory

- Findings
- Defines Terms
 - Manufacturing Machinery, Equipment and Inventory
 - Motor Vehicles
 - Replacement Revenue
 - Retail Inventory
 - Various Tax Terms



Originating Bill – Exemptions

- Creates a six-year phase out of personal property taxes on Manufacturing Equipment, Machinery and Inventory.
- Creates a six-year phase out of personal property taxes on Automobiles.
- Creates a six-year phase out of personal property taxes on Retail Inventory.

Originating Bill – Replacement Revenue

- Creates a Special Revenue Account.
- Provides that the Governor and the Legislature will restore funding to counties and municipalities.
 - Creates a four-year lookback.
 - Replacement funding based upon highest assessed value of ad valorem taxation.
 - Distribution is proportionate.
- Specifically provides for no modification of county basic foundation for public school funding.
- Excludes general obligation bond levies and other excess levies

Originating Bill – Replacement Revenue Sources

- Increase from six cents per dollar to six and one-half cents per dollar on sales and use taxes.
- Increases taxes on tobacco and vaping products:
 - Raises the tax on cigarettes from \$1.20 per 20 cigarettes to \$2.00 per 20 cigarettes;
 - Raises the tax on other tobacco products from 12% of the wholesale price to 50% of the wholesale price; and
 - Modifies the tax on e-cigarette/vaping products from 7.5 cents per milliliter to 50% of the wholesale price.

Originating Bill - Mechanics

- All amounts collected from the sales and use tax and the tobacco tax above the current amount are to be deposited into the Special Revenue Account.
- All of the provisions of the bill – including the taxes on sales, use and tobacco – are contingent upon the passage of the Constitutional Amendment contemplated in Senate Concurrent Resolution No. 9.
- The Tax Commissioner is granted procedural rulemaking authority to effectuate the provisions of the bill relative to replacement revenue.

FINANCES



.5% Sales Tax Increase

- Estimated to increase Consumer Sales and Use Tax collections by \$116.5 million annually
- Would see six month of collections in FY 2021 as this tax would go into effect upon ratification of SJR 9 in November.

Tobacco Tax Increase

- \$88 million in total increased revenue collections
 - \$61 million from increase in cigarette tax
 - \$25 million from increase in smokeless tobacco tax
 - \$2 million from increase on vaping and e-cigarettes
- These collections would decrease by an estimated 4% annually.
- Would see six month of collections in FY 2021 as this tax would go into effect upon ratification of SJR 9 in November.

County Revenue Replacement Needed (in thousands)

	Manufacturers Equipment and Inventory	Personal Property Tax	Retail Inventory	Totals
FY 2021	\$0	\$0	\$0	\$0
FY 2022	\$0	\$0	\$0	\$0
FY 2023	\$16,667	\$25,000	\$7,333	\$49,000
FY 2024	\$33,333	\$50,000	\$14,667	\$98,000
FY 2025	\$50,000	\$75,000	\$22,000	\$147,000
FY 2026	\$66,667	\$100,000	\$29,333	\$196,000
FY 2027	\$83,333	\$125,000	\$36,667	\$245,000
FY 2028*	\$100,000	\$150,000	\$44,000	\$294,000

*These numbers represent full repeal of all three taxes

Revenue Collections (in thousands)

	Tobacco Tax (in thousands)	Sales Tax (in thousands)	Total Additional Revenue Collected
FY 2021	\$44,000	\$58,250	\$102,250
FY 2022	\$88,000	\$116,500	\$204,500
FY 2023	\$84,480	\$116,500	\$200,980
FY 2024	\$81,101	\$116,500	\$197,601
FY 2025	\$77,857	\$116,500	\$194,357
FY 2026	\$74,742	\$116,500	\$191,242
FY 2027	\$71,753	\$116,500	\$188,253
FY 2028	\$68,883	\$116,500	\$185,383
FY 2029	\$66,127	\$116,500	\$182,627
FY 2030	\$63,482	\$116,500	\$179,982

Revenue Reallocation Fund

	Collections	Reallocation Need	Fund Balance
FY 2021	\$102,250	\$0	\$102,250
FY 2022	\$204,500	\$0	\$306,750
FY 2023	\$200,980	\$49,000	\$458,730
FY 2024	\$197,601	\$98,000	\$558,331
FY 2025	\$194,357	\$147,000	\$605,688
FY 2026	\$191,242	\$196,000	\$600,930
FY 2027	\$188,253	\$245,000	\$544,183
FY 2028	\$185,383	\$294,000	\$435,566
FY 2029	\$182,627	\$294,000	\$324,193
FY 2030	\$179,982	\$294,000	\$210,175