

TO REPEAL THE PERSONAL INCOME TAX
OR NOT REPEAL THE PERSONAL
INCOME TAX –
THAT IS THE QUESTION

PRESENTED BY
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WEST VIRGINIA'S

OPPORTUNITY...*IS NOW*



PERSONAL INCOME TAX REPEAL PLAN



PERSONAL INCOME TAX REPEAL PLAN

My plan will seize a once-in-a-lifetime opportunity to transform West Virginia's tax structure; raising wages, raising home values, bringing in more businesses, more people, and making life better for all West Virginians.

-GOVERNOR JIM JUSTICE



WEST VIRGINIA BUDGET DIGEST

INFORMATION

2019-2020 Fiscal Year Information

--	Person Income Tax Revenue	--	\$1,947,945,588.00
--	Corporate Income Tax	--	\$151,988,010.00
--	Consumer Sales and Use Tax	--	\$1,386,570,806.00
	Sales Taxes Have Lagged Behind for at least 10 years		
--	Property Tax – State Level	--	\$7,392,105.00
	County Level	--	<u>\$1,926,252,785.00</u>
	Total	--	\$1,933,644,890.00

Historically, these three numbers have been fairly equal in West Virginia's historic tax collections. Interested to see Wayfair's impact.

PERSONAL INCOME TAX REPEAL PLAN
Bill Abstract

Reduce State income tax brackets as follows:

- Tax rates for all filers reduced by 60%
- Will reduce PIT by 60% (\$1,035,650,000) on income earned from:
 - Wages and Salaries
 - Pensions, Annuities, IRAs, Social Security & Unemployment

- The reduction excludes income earned from the following:
 - Schedule C Business Profits
 - Schedule E Rents, Royalties and Pass-Through Entity Profits
 - Schedule D Capital Gains
 - Schedule F Farm Income
 - Supplemental Gains and Losses
 - Taxable Interest Income
 - Dividend Income
 - Miscellaneous Income

- Will rebate \$52,000,000 of PIT

CBO TAX INFORMATION

West Virginia

Tax Year 2018

--	Total reported Revenue --	\$42,109,252,000	
--	Salaries And Wages --	\$30,203,536,000	(71.73%)
	--	Number of Returns 662,940 out of 765,060	(86.65%)
--	Business Net Income --	\$1,110,488,000	(6.13% for both)
--	P'Ship/S Corp	\$1,471,707,000	
--	Retirement Income	\$5,259,712,000	(12.49%)

- Change State consumer sales tax from 6.0% to 7.9%
\$475,000,000
- Expand CST base to include:
\$180,000,000
 - Computer hardware/software
 - Legal services
 - Accounting services
 - Other professional services
 - Selected advertising
 - Electronic data processing
 - Health and fitness memberships
 - Sales of lottery tickets

SALES TAX

-- Rate will be the highest state sales tax in the Country at 7.9%. California's state rate is 7.25%.

-- WV's current combined state and local rate is 6.51% (ranking 31 -- Tax Foundation data)).

-- Presumably the combined rate with the increase would be approximately 8.5% which would put us 11 just ahead of Arizona at 8.4% combined rate.

-- The highest combined rates are Louisiana (9.55%), Tennessee (9.547%), Arkansas (9.48%), Washington (9.29%), and Alabama (9.22%).

PROFESSIONAL SALES TAX

-- West Virginia is already an outlier in taxing services generally (with Hawaii, South Dakota and New Mexico); states may tax specific services but no general sales tax on services. These three states also do not exempt professional services.

-- First big issue is where are services performed and services performed for exempt businesses. West Virginia is a destination sourcing rule. However, the Regs state place of performance is where services are taxable. If your work comes from sources other than West Virginia, where will you locate.

PROFESSIONAL SALES TAX

- Example -- Professional Services Firm Taxed as Partnership
 - Gross Services Revenue -- \$10,000,000
 - Net Revenue -- \$4,000,000
 - 10 equal partners
 - Assumed Net to each Partner \$400,000 (pre income tax)
 - State Tax -- \$26,000 per partner or \$260,000 total
 - Federal Income tax at 30% -- \$120,000
 - Total Net Per Partner -- \$254,000
- Assuming no exemptions, sales tax on professional services would be \$790,000. Reducing net per partner even further -- \$203,835 (after deduction).
- Assuming switch to corporate form to change to salary which is exempt from WV tax under the proposal. Net per partner is \$224,700. Still a \$30,000 cost per partner.

PROFESSIONAL SALES TAX

-- Summary of Example: Current

- Gross Services Revenue -- \$10,000,000
- Net Revenue -- \$4,000,000
- State Tax -- \$26,000 per partner or \$260,000 total
- Federal Income tax at 30% -- \$120,000 or \$1,200,000 total
- Total Net Per Partner -- \$254,000 or \$2,540,000 total

-- Summary of Example: Sales Tax Change

- Sales Tax Liability (if absorbed) -- \$790,000
- State Tax -- \$20,865 per partner or \$208,650 total
- Federal Income tax at 30% -- \$96,300 or \$963,000 total
- Total Net Per Partner -- \$203,835 or \$2,038,350 total

-- Summary of Example: Sales Tax Change/Corporate Change

- Sales Tax Liability (if absorbed) -- \$790,000
- State Tax -- \$0 per partner
- Federal Income tax at 30% -- \$96,300 or \$963,000 total
- Total Net Per Partner -- \$224,700 or \$2,247,000 total

- Create luxury items tax for certain specified items \$20,000,000

FROM	TO	TAX RATE
\$5,000	\$10,000	3.0%
Above \$10,000	\$30,000	2.75%
Above \$30,000	\$100,000	2.50%
Above \$100,000	\$500,000	2.25%
Above \$500,000	\$1,000,000	1.75%
Over \$1,000,000		1.0%

- Change natural gas severance tax from 5% to the following tiered rates: \$12,500,000

Less than \$0.85	4.0%
\$0.85 - \$1.29	5.0%
\$1.30 - \$1.79	6.0%
\$1.80 - \$2.49	6.5%
Above \$2.50	7.0%

- Change wet gas severance tax from 5% to 6.5%: \$5,000,000
- Change the coal thin seam severance tax rates from 1.0% or 2.0% to the following tiered structure: \$7,500,000

<37"

Price Per Ton	Tax Rate
Under \$65.00	0.75%
\$65 to \$84.99	1.0%
\$85 to \$104.99	1.5%
\$105 to \$124.99	2.0%
\$125 to \$174.99	3.0%
Above \$175	4.0%

37" to 45"

Price Per Ton	Tax Rate
Under \$65.00	1.5%
\$65 to \$84.99	2.0%
\$85 to \$104.99	2.5%
\$105 to \$124.99	3.0%
\$125 to \$174.99	4.0%
Above \$175	5.0%

- Change the coal severance tax from 3.0% on steam and 5% on met and other coal to the following tiered rates: \$16,000,000

MET AND OTHER NON-STEAM COAL

Price Per Ton	Tax Rate
Under \$65.00	4.0%
\$65 to \$84.99	5.0%
\$85 to \$104.99	5.5%
\$105 to \$124.99	6.0%
\$125 to \$174.99	6.5%
Above \$175	7.0%

STEAM COAL

Price Per Ton	Tax Rate
Under \$35.00	2.0%
\$35.00 to \$52.99	3.0%
\$53.00 to \$59.99	3.5%
\$60.00 to \$69.99	4.0%
\$70.00 to \$79.99	5.0%
\$80.00 to \$89.99	6.0%
Above \$90.00	7.0%

- Change oil severance tax from 5% to the following tiered rates: \$1,000,000

Less than \$35.00	4.0%
\$35 - \$54.99	5.0%
\$55 - \$67.99	5.5%
\$68 - \$89.99	6.0%
\$90 and above	7.0%

- Change the cigarette tax to \$2.25 per pack
\$70,000,000
- Change other tobacco products tax to 19.5% of wholesale prices
\$8,200,000
- Change E-cigarette tax to 75 cents per milliliter
\$8,000,000
- Change beer barrel tax to \$29.25 per barrel
\$26,000,000

- Change wine tax to \$4.00 per gallon
\$5,500,000
- Change liquor wholesale mark-up to 39.25%
\$5,400,000
- Change soft drink taxes as follows:
\$62,500,000
 - 6 cents per 16.9 fluid ounce or fraction thereof
 - \$4.80 per gallon on syrup
 - 6 cents per each 28.35 grams of dry mixture

Lowering taxes by 17%

TOTAL TAX INCREASE:	\$ 902,600,000
Total Tax Reduction	\$1,035,650,000
Plus Rebate Checks	<u>52,000,000</u>

TOTAL TAX REDUCTION

\$1,087,650,000

OPTIONS TO CONSIDER

Senate Proposed Reductions	\$ 25,000,000
Reductions of General Fund payroll due to employment attrition	10,000,000
Projected Annual Revenue Growth	60,000,000

House Plan

- House Bill 3300

PERSONAL INCOME TAX REDUCTION PLAN - FIRST YEAR

All Filers Except Married
Filing Separate

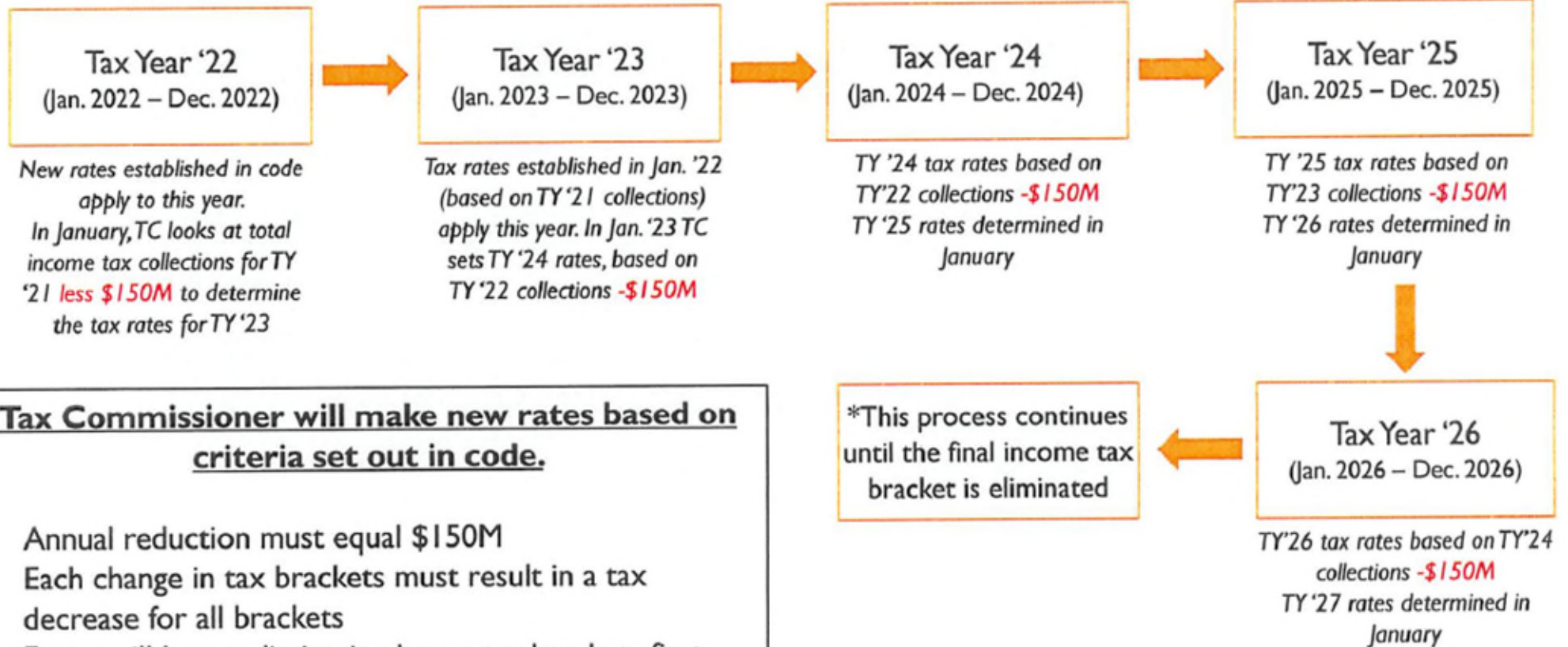
Taxable Income	Current Rate	New Rate
\$0 - \$10,000	3.0%	2.8%
\$10,000 - \$25,000	4.0%	3.7%
\$25,000 - \$40,000	4.5%	4.2%
\$40,000 - \$60,000	6.0%	5.6%
\$60,000+	6.5%	6.0%

Married Filing Separate

Taxable Income	Current Rate	New Rate
\$0 - \$5,000	3.0%	2.8%
\$5,000 - \$12,500	4.0%	3.7%
\$12,500 - \$20,000	4.5%	4.2%
\$20,000 - \$30,000	6.0%	5.6%
\$30,000+	6.5%	6.0%

PERSONAL INCOME TAX REDUCTION PLAN - OUT YEARS

TC = Tax Commissioner



Tax Commissioner will make new rates based on criteria set out in code.

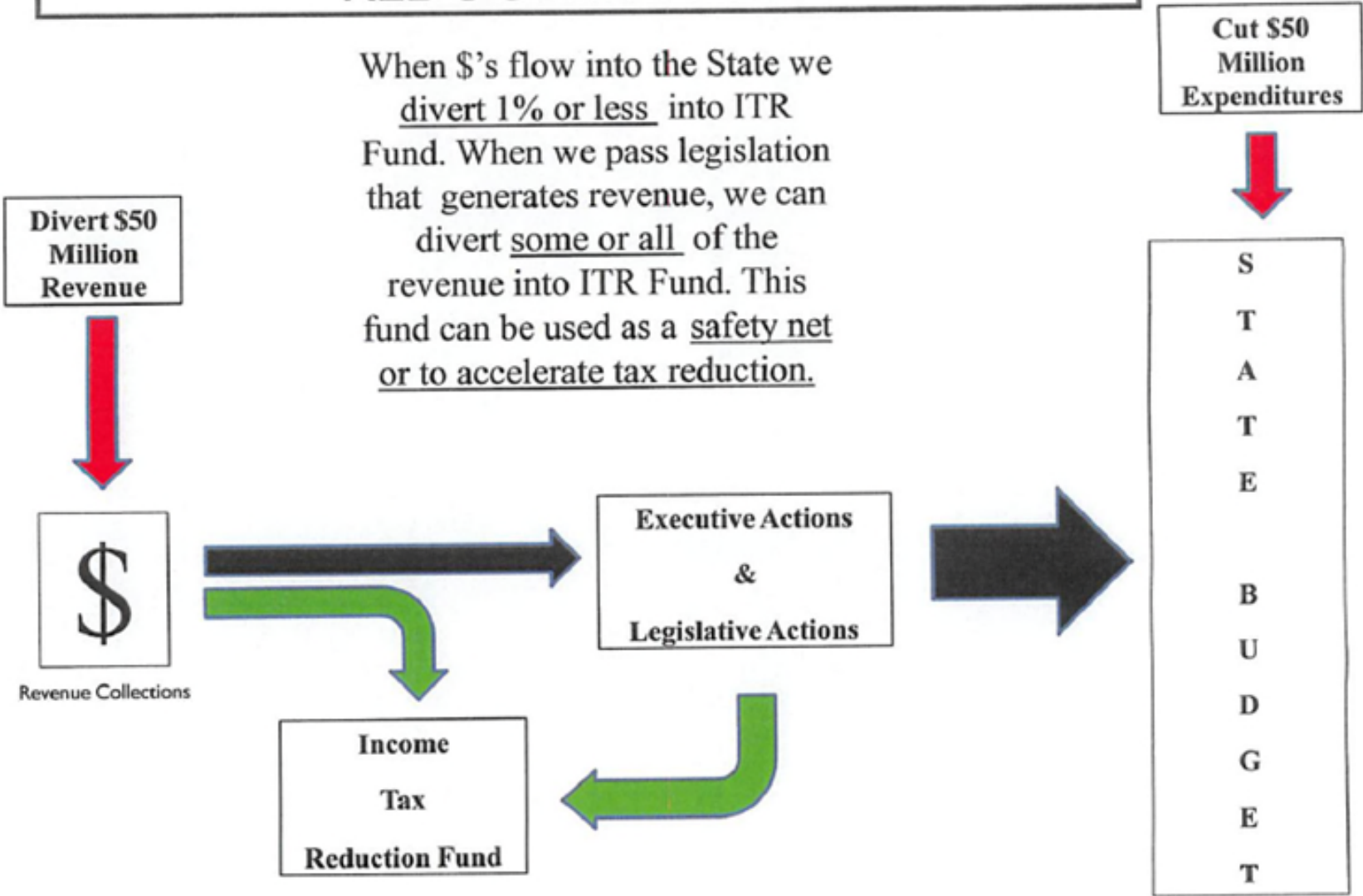
- Annual reduction must equal \$150M
- Each change in tax brackets must result in a tax decrease for all brackets
- Focus will be on eliminating lower tax brackets first

THE INCOME TAX REDUCTION (ITR) FUND

- The ITR is the method by which West Virginia can accelerate its pursuit of a full PIT elimination
- The ITR will also serve as an additional reserve of funds to safeguard against downturns in the economy
- Revenues will build up in the ITR through various means/sources
- When a \$400 million cash balance is reached, \$100 million will be transferred to the General Revenue fund
- This will provide instant tax relief in the form of an additional \$100 million cut to the PIT (on top of the scheduled \$150 million reductions occurring on a yearly basis)

INCOME TAX REDUCTION FUND

When \$'s flow into the State we divert 1% or less into ITR Fund. When we pass legislation that generates revenue, we can divert some or all of the revenue into ITR Fund. This fund can be used as a safety net or to accelerate tax reduction.



State's Two Largest Employer Organizations React

- West Virginia Chamber
- West Virginia Business & Industry Council



To: Members of the West Virginia Chamber of Commerce

From: Brian Dayton

Date: March 8, 2021

RE: Summary of Governor Justice's Income Tax Plan

Thursday afternoon Governor Justice rolled out his plan to repeal West Virginia's Personal Income Tax. The Governor's bill can be viewed by [clicking here](#) and the summary of his plan can be viewed by [clicking here](#).

The West Virginia Chamber of Commerce applauds examining West Virginia's Personal Income Tax rates. Our personal income tax rates are among the higher rates in the country and our state offers very few credits, deductions or exemptions. Additionally, tax brackets make no distinction between those who are single and those who are married, essentially penalizing individuals for being married. The last update to West Virginia's Personal Income Tax brackets occurred in 1987. The highest rate was set to begin at \$60,000, which, adjusted for inflation, is worth approximately \$138,000 today. All these reasons support the need to examine this tax, but for the West Virginia Chamber, the concern is always what the components are of any plan to reduce or eliminate the Personal Income Tax in our state.

Since the Governor's announcement we have heard from countless members of the West Virginia Chamber regarding their thoughts and concerns about the Governor's proposal. The West Virginia Chamber has been thoroughly analyzing the proposal and how it affects our members and various sectors of the economy. We have also been in contact with reputable organizations that specialize in economic and tax policy analysis and have asked them to examine this proposal. While their full analyses have not yet been delivered, the organization that examines tax policy from an employer's perspective has stated that they believe "this will represent a large shift of the overall tax burden from individuals to businesses.

Below is our summary of the areas of the bill and what we are hearing from the Chamber's membership on these various topics. We encourage you to continue providing us feedback from your perspective by e-mailing Brian Dayton at bdayton@wvchamber.com.

Your feedback and input will help guide the West Virginia Chamber's response and position on this important legislation.

Personal Income Tax Reduction (\$1,035,650,000)

The Governor's bill will reduce the personal income tax collections by 60% on income earned from wages, salaries, pensions, annuities, IRAs, Social Security and unemployment. The reduction excludes the following:

- Schedule C Business Profits
- Schedule E Rents, Royalties and Pass-Through Entity Profits
- Schedule D Capital Gains
- Schedule F Farm Income
- Supplemental Gains and Losses
- Taxable Interest Income
- Dividend Income
- Miscellaneous Income

Of concern to the Chamber is the fact that the vast majority of businesses in West Virginia are created as pass-through entities, which is encouraged under the current federal tax structure. These entities will not see the benefit of any Personal Income Tax reductions but will feel the weight of other components of the bill. As we understand the language of the bill, if you own a small business that is an S-Corp, partnership, limited liability company or proprietorship, you will not have any reduction in your Personal Income Tax. While we seek clarification, we believe this would have a detrimental effect on the many small businesses that make up the backbone of our state's economy.

Consumer Sales Tax Increase from 6.0% to 7.9% **+\$475,000,000**

The Governor's proposal calls for raising West Virginia's Consumer Sales and Use Tax from 6.0% to 7.9%. This would constitute a 31% increase over the existing tax rate, and the new state sales tax rate of 7.9% would be the highest in the country - .65% higher than the current highest, California. Many municipalities in West Virginia also impose a 1% sales tax, which would make the sales tax 8.9% in those communities and make the difference between West Virginia and other states more pronounced.

Roughly 60% of West Virginia's population lives in a border county and is easily able to cross state lines to make purchases. The consumer sales tax rates in our five neighboring states are as follows:

- Kentucky — 6.0%
- Maryland — 6.0%
- Ohio — 5.75%
- Pennsylvania — 6.0%
- Virginia — 5.3%

Our current sales tax rate in West Virginia is competitive with our border states and does not encourage residents to shop across state lines. An increase to 7.9% could encourage that behavior.

The West Virginia Chamber is also worried that the projected revenue growth of \$475 million from a 1.9% increase in the Consumer Sales Tax is overly optimistic. In the previous five fiscal years, each percent of Consumer Sales Tax was responsible for approximately the following amounts of revenue (calculated by fiscal end-of-year sales tax revenue divided by six):

- FY 2020: \$231,710,000
- FY 2019: \$228,359,500
- FY 2018: \$207,838,500
- FY 2017: \$203,713,800
- FY 2016: \$205,174,000

Using FY 2020 as a base, which was our best year of performance, a 1.9% increase would only account for \$440 million, and this calculation would anticipate no change in consumer behavior. The West Virginia Chamber has always kept a close eye out for revenue gaps, as there is a history of policymakers looking to the business community to fill those gaps.

Expansion of Consumer Sales Tax Base +\$180,000,000

The Governor's plan calls for an expansion of the consumer sales tax base by making subject to the consumer sales tax several items that are currently exempt. The rate for these items is presumed to be 7.9% under the bill. This expansion includes items defined as professional services such as legal, accounting, advertising, electronic data processing, and other services.

Only three states in the country (Hawaii, New Mexico and South Dakota) currently do not exempt professional services from their consumer sales tax. Of those three, the highest rate of taxation is 5%. If professional services were included, *West Virginia would become only the fourth state in the nation to tax professional services, and impose a rate that is significantly higher than the three states that currently tax professional services.* The West Virginia Chamber is concerned that this will lead to businesses and individuals obtaining these services from outside West Virginia.

One of the reasons that nearly all states exempt professional services from sales tax is that these services are generally considered a part of the production process. For example, legal or accounting services obtained by a business are not generally a part of its end product, but rather a needed step along the process. If these services are taxed, the effect of "pyramiding" is likely to occur, whereby a product or good is taxed at multiple points in its production process. Another reason many states do not tax these services is due to the problem of "sourcing" taxable revenues.

Luxury Items Tax +\$20,000,000

The Governor has also proposed a luxury tax on certain items, with the rates spelled out in his bill summary. According to the legislative language, "luxury item" means jewelry including watches and timepieces, clothing, art work, furniture, clocks, electronic equipment and appliances, motor boats, snowmobiles, yachts, and other collections. The luxury tax would kick in for these items beginning at \$5,000, with purchases of \$5,000 to \$10,000 being subjected to an additional 3% sales tax. The additional sales tax rate phases down for more expensive items.

Given that most individuals make purchases of this size infrequently, we are concerned that this language would strongly encourage West Virginia residents to travel across state lines to avoid the additional sales tax. If this were to occur, the state would experience limited or no revenue benefit but the in-state businesses selling these items would suffer.

Natural Gas and Wet Gas Severance Tax Rates +\$12,500,000 + \$5,000,000

The Governor's proposed bill envisions a tiered severance tax rate for natural gas and wet gas production in West Virginia. The Chamber's natural gas members are closely examining how this new tax structure would affect them. In most cases, this proposal would lead to an immediate severance tax increase on our state's producers. Taxation of natural gas is complex, and at this point insufficient detail has been provided about how the new tiers would be defined and applied. West Virginia's severance tax on this industry is already the highest of the shale-producing states in our region, and the West Virginia Chamber is always cautious of policies that could disincentivize capital deployment to our state.

Coal Thin Seam Severance Tax Rates +\$7,500,000

The Governor's proposal would implement a tiered severance tax rate for thin seam coal with rates spelled out in his summary.

Coal Severance Tax Rates +\$16,000,000

The Governor's proposal would implement tiered severance tax rates for both steam coal and met coal.

Oil Severance Tax Rate +\$1,000,000

The Governor's proposal would implement a tiered severance tax rate for oil. Rates are spelled out in his summary.

The Chamber continues to closely study how the new tiered severance tax system would affect both the coal industry and the oil industry in our state.

Cigarette Tax Increase +\$70,000,000

Cigarette taxes would be increased from \$1.20 per pack to \$2.25 per pack under the Governor's bill. Many members of the West Virginia Chamber have historically supported increasing cigarette taxes as a way to encourage less smoking and to help with healthcare costs. Other chamber members, especially retail establishments in border counties, do have concerns that such an increase could encourage cross-border shopping for tobacco products. If this were to occur, they are also worried about the impact on sales of other non-tobacco products.

Other Tobacco Products Taxes +8,200,000

The Governor's bill would increase the price of other tobacco products from 12% of wholesale prices to 19.5% of wholesale prices. The West Virginia Chamber views these taxes in the same light as the cigarette tax.

E-Cigarette Taxes +\$8,000,000

The Governor's bill would provide a 1,000% tax increase on the price of e-cigarette liquid from 7.5 cents per milliliter to 75 cents per milliliter.

Beer Barrel Tax +\$26,000,000

Under the Governor's bill, the tax on each barrel of beer would increase from \$5.50 to \$29.25. This represents an over 500% increase in the tax on beer. Of our five surrounding states, West Virginia has the 3rd highest rate currently, with PA, MD and KY below us. Virginia's tax rate is \$8.76 per barrel. West Virginia's tax rate under this bill would be over three times higher than any neighboring state.

Many restaurants and entertainment venues rely on revenue from beer sales to help their businesses operate. We fear that such an increase will hurt their margins and greatly hinder their ability to survive. We also worry about the impact that this will have on retail sales.

Soft Drink Taxes +\$62,500,000

The Governor's bill would significantly increase the taxes on soft drinks by the following amounts:

- Per Can: 600% increase from 1 cent per can to 6 cents per can.
- 600% increase from 80 cents per gallon of syrup to \$4.80 per gallon.
- 600% increase from 1 cent per 28.35 grams of dry mixture to 6 cents per 28.35 grams.

Currently, West Virginia is one of only two states that impose a soda tax, the other being Arkansas. The taxes envisioned in the bill are not just imposed on soda, but would be applied to sports drinks, flavored water, juices, teas and more.

The City of Philadelphia implemented a soda tax in January 2017, becoming only the second municipality in the country to take that step. An Oxford Economics study found that the measure caused 1,200 people to lose their jobs, with Pepsi being forced to lay off about 20% of its workforce in the city. Additionally, many Philadelphians went outside of the city to purchase beverages, and in doing so did the rest of their grocery shopping outside of the city.

Much like the tax on beer, the West Virginia Chamber is concerned about the impact such significant increases in soft drink taxes will have on retailers, restaurants and entertainment venues.

Liquor wholesale mark-up: +\$5,400,000

The liquor wholesale markup under the bill will be changed from requiring a yield of net profit to the General Revenue Fund of not less than \$6.5 million per year to at least 39.25%. Much like the soft drink and beer taxes, the West Virginia Chamber is concerned about the impact to retailers, restaurants and entertainment venues.

Wine tax: +55,500,000

The wine tax would increase by a factor of 400% from \$1 per gallon to \$4 per gallon. The West Virginia Chamber continues to be concerned about the impact this would have to retailers, restaurants and entertainment venues.

Summary

The West Virginia Chamber applauds the desire to examine West Virginia's Personal Income Tax rates, which are some of the highest in the country and do have an impact on the citizens of our state. As written, the Governor's bill seeks to replace this revenue with several items that would negatively impact a large swath of the West Virginia Chamber's membership. Lower, flatter taxes have always been a highlighted goal of the West Virginia Chamber. Many of the tax rates proposed in this legislation would become the highest in the country.

The Governor's plan also reduces state revenues by \$1.035 billion and includes an additional \$52 million rebate to low-income families. The projected revenue increases under his bill amount to \$902,600,000 — leaving a nearly \$150 million gap. We are watchful for what proposals come forth to reduce state spending, as the Legislature is constitutionally required to pass a balanced budget.

Please continue to share your feedback and input with the West Virginia Chamber by reaching out to Brian Dayton at bdayton@wvchamber.com. Thank you for your continued support of the West Virginia Chamber of Commerce.



TO: MEMBERS OF THE WV LEGISLATURE

RE: GOVERNOR JUSTICE'S PERSONAL INCOME TAX PROPOSAL

DATE: MARCH 10, 2021

Following numerous conversations with members, the establishment of our Income Tax Subcommittee which has substantively reviewed the draft legislation, and with independent analysis, the West Virginia Business & Industry Council (BIC) has developed questions and concerns regarding Governor Justice's personal income tax plan.

We applaud Governor Justice's initiative to do all he can to make West Virginia the most attractive state in the nation to live and work, but our members have concerns over the impact this income tax plan will have on every West Virginian and West Virginia business.

Our members represent most every industry in the state, to include retailers, manufacturers, gas and mining companies, contractors, auto dealers, professional services, hospitals, realtors, foresters, beverage and beer wholesalers, telecommunication providers, and many more. While reducing the personal income tax is a laudable goal, the path the Governor has laid out to get there raises taxes on all West Virginians. The Governor has been successful in attracting new warehousing and manufacturing facilities to West Virginia, and any tax restructuring must not cause businesses considering West Virginia to go elsewhere nor encourage in-state businesses to rethink their operations here.

The proposal reduces the personal income tax obligation of an individual wage earner based on their income level but does nothing to benefit a business. The majority of West Virginia businesses are operated as sole proprietors, limited liability companies limited partnerships or general partnerships. As we understand the proposed legislation, owners of these businesses will see no benefit from the plan.

BIC members have highlighted multiple areas of immediate concern with the legislation, to include:

- West Virginia will have the highest state consumer sales tax rate in the nation at 7.9 percent (or 8.9 percent for those counties with a one percent municipal sales tax). With 60 percent of West Virginia's population living on the border, and border state sales taxes ranging from 5.3 percent, this legislation could encourage state residents to cross the border to make purchases, thus hurting existing state business.
- The legislation would significantly raise taxes on tobacco products, beer, wine, liquor, and soft drinks. West Virginia consumers would pay more for these products, or for those that live near our borders, choose to make these purchases out of state. West Virginia has done a tremendous job in cultivating the craft beer industry. This will make West Virginia retailers and brewery companies less competitive and hurt sales.

- Businesses that currently do not pay consumer sales taxes and falling under the category of providing "professional services" (legal, accounting, advertising, and more), will be required to do so. Only three states in the country tax professional services and the impact of this will lead West Virginia professional service firms to be less competitive and/or consider moving operations out of state. Additionally, this class will be negatively impacted in three ways: 1) new tax on professional services; 2) increase in the consumer sales tax; and 3) paying increased taxes on other goods targeted in the proposed plan.
- The bill implements a tax on "luxury items" (jewelry, boats, ATVs, appliances, furniture, electronic equipment, etc.) that kicks in at a cost of \$5,000 and is levied on the aggregate of items sold. West Virginians may choose to purchase these items in a surrounding state, given the additional tax, thus hurting state businesses that currently sell those products and lead to little tax revenue to the State.

- The severance of coal, gas and oil will be taxed in a tiered fashion equating to "if the market price goes up, they pay more, and if it goes down, they pay less". Market pricing for these resources is complex and West Virginia already taxes these resources at some of the highest rates among market peers, potentially placing these industries in a less than competitive position. The oil and gas industry and the mining industry are reviewing to determine the impact on our already struggling coal and gas workforce.
- The proposed legislation leaves a funding gap of nearly \$150 million (the difference between the amount the personal income tax brings in today and the amount the Governor's proposed tax increases would contribute). The Legislature would need to identify significant cuts to state services or programs to make up the difference.

We all agree the elimination of the personal income tax is a laudable goal, but BIC members believe there needs to be study, debate, and public input in order to develop a comprehensive tax restructuring plan.

We appreciate the opportunity to share our concerns with you. Should you have questions, please contact Mike Clowser at mclowser@cawv.org.

Senate Plan

- Amended Bill 3300
- Similar to Governor's bill
- Other tax increases
- Barely got out of Finance
- Passed Senate end of session

House Action

- Majority leader moved to concur
- Finance Committee Chairman opposed
- Motion rejected 100 to 0
- Personal income tax repeal dead for the session

What's Next

- Governor not giving up
- Senate close to Governor's plan
- PAC formed to raise money for ads to support Governor's plan
- Is status quo a possibility?

JACKSON **KELLY** PLLC