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West Virginia weighs freeing some business inventory and equipment from property taxes

By: **LAWRENCE MESSINA**

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CHARLESTON, W.VA. — The West Virginia Association of Counties has given its guarded blessing to a proposal meant to free business inventory and equipment from property taxes.

But that group and others remain concerned about the resulting loss of revenue, particularly because at least two-thirds of all property tax proceeds benefit public schools.

"I'm very concerned about the direction we're going in with public education," Dale Lee, president of the West Virginia Education Association, told lawmakers Wednesday. "We continue to give tax dollars away."

Dale and others spoke at a House chamber public hearing on a measure pitched by Gov. Joe Manchin.

The measure comes from an ongoing study commissioned by the governor. The Tax Modernization Project Work Group believes these levies on business property hinder economic development, its chairman, state Tax Commissioner Chris Morris, said.

"Our business property taxes are well above the national average," Morris told lawmakers. "West Virginia's industrial personal property taxes are significantly higher than our border states'."

Manchin wants lawmakers to allow voters a chance to amend the state constitution, which closely oversees property taxes.

If voters approve, the Legislature could allow counties to decide which classes of non-real estate property to exempt. The tax break would not extend to public utilities. It would also apply only to new inventory and equipment added to the rolls.

Such provisions helped win over the county association, Executive Director Patti Hamilton said. But she said

lawmakers must carefully craft the exemption language to avoid unintended effects. Businesses might, she suggested, change names to make it appear that their property is new to the tax rolls.

"We do have a problem with businesses avoiding personal property taxes in that manner," Hamilton said.

Manchin's proposal would allow counties to pursue alternative revenues to offset the eventual losses. Hamilton said such sources would have to match the 4 percent growth rate that counties have seen from non-real estate property in each of the last 10 years.

Counties reaped around \$554 million from taxes on non-real estate property last year, she said, adding that the figure includes taxes on personal vehicles.

Lee cited forecasts warning of a \$167 million shortfall in education funding by 2013. Public schools face laying off 3,000 teachers and 1,700 school service workers, Lee said, and he questioned the wisdom in pursuing the proposed tax break now.

"I don't see how we're going fill it," Lee said. "It's going beyond any problem we've seen in a long, long time."

Business groups favor Manchin's proposal. But the state Manufacturers' Association wants existing inventory and equipment exempt as well, President Karen Price told lawmakers.


"We should not limit ourselves," Price said. "It should be very broad. We have to trust that the Legislature and the governor will make decisions that do not hurt our state or our counties."

Ted Boettner from the West Virginia Center on Budget and Policy, a liberal group, questioned the benefit to business. He also noted the state's existing array of tax breaks and credits, and asked lawmakers to consider the resulting decline in services when weighing the overall effects on the state's economy.

"We should look at this over the next year, to study whether this really is a potential factor in business location decisions," Boettner said.

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