

NEWS

Friday August 6, 2010

Tax reform group establishes prioritiesby George Hohmann
Daily Mail Business Editor

CHARLESTON, W.Va.--State Tax Modernization Project members have decided to focus on two issues in the months ahead: how to shore up the State Road Fund and how to reduce or eliminate the property tax on business inventory and equipment.

Gov. Joe Manchin formed the tax group in 2005. It issued a comprehensive report in 2006 that led to numerous changes, including a cut in the sales tax on food and the phase-down of the state corporate net income tax. A report in 2009 led to a requirement that some large taxpayers file electronic returns.

Project members met Thursday at the Summit Conference Center, 129 Summers St.

The State Road Fund is the main source of money for financing and administering the state's highways. It has become a perennial topic because state fees and taxes are not keeping up with the cost of highway maintenance and construction.

Tom Witt, who heads West Virginia University's Bureau of Business and Economic Research, chairs the Tax Modernization Project's Road Fund Subcommittee. Witt said, "There's no consensus on what we should have as a highway system in general in terms of the standards we should enjoy for a road system. How often do you repave roads? How much reconstruction should you take on, on an annual basis? How many bridges should you replace? If we knew this, then we could match taxes and revenue to the needs.

"Now we're chasing a shortfall. It's like there's a hole in the bucket and we're pouring water into the bucket but the hole is much larger. At some point we will run out of water in some parts of the state and start abandoning small roads."

Witt noted that state leaders are talking about putting tolls on some roads to pay for construction. He said other states are also facing highway-funding shortfalls.

State Deputy Revenue Secretary Mark Muchow said Pennsylvania "took the easy way out," jacking up tolls on the Pennsylvania Turnpike to help pay for road work elsewhere. "The cost is fairly high - I think over \$50 - to go from one end of the turnpike to the other," he said.

Witt said, "This is a problem that is not going to go away. It's going to get tighter and tighter unless we bite the bullet and decide whether we want a system like we've enjoyed in the past. Otherwise there will be a gradual abandonment of minor roads."

The late Sen. Robert Byrd, who died June 28, was a master at getting federal appropriations for highway projects. Witt alluded to Byrd's passing by pointing out that West Virginia "won't enjoy, as it did in the past, the benefits of having a strong Congressional delegation that can deliver highway funding in excess of what we're entitled to under traditional formulas. That's something we have to face."

At the suggestion of state Revenue Secretary Virgil Helton, Witt agreed to ask state Division of Highways Commissioner Paul Mattox to join the subcommittee and to keep studying the issues.

8/6/2010

Tax reform group establishes priorities ...

Cal Kent, who heads the Center for Business and Economic Research at Marshall University, is chairman of the Subcommittee on Local Finance and Property Taxation. He discussed the idea of reducing or eliminating the personal property tax on business equipment, machinery and inventory to stimulate job creation. In March the Legislature failed to act on Gov. Manchin's request to ease such taxes through a constitutional amendment.

Kent there's a consensus in his subcommittee that taxes on equipment, machinery and inventory are a major detriment to business expansion and job creation in West Virginia. He said most surrounding states have abolished these taxes.

"The yet-to-be-resolved issue is how to replace the revenue lost to local governments from the repeal of the tax," he said. The tax loss to local governments would be at least \$172 million.

Kent's subcommittee continues to study the issue and welcomes additional input, he said.

During a public comment session Ted Boettner of the West Virginia Center on Budget and Policy presented a preliminary report that concludes that decreasing business taxes may be a costly and ineffective way of increasing jobs.

State and local taxes make up just one to two percent of the cost of doing business, Boettner said. Many other factors are often more important when a business considers where to locate or expand, he said.

Karen Price, president of the West Virginia Manufacturers Association, urged the tax project members to keep working on the issue. "Certainly tax isn't the only thing a company looks at, but it is a huge issue for my members, who are capital intensive companies," she said.

State Tax Commissioner Craig Griffith, who chairs the tax project, urged project members to focus on personal property tax and road fund issues in the coming months. He did not set a date for the next meeting.

Contact writer George Hohmann at busin...@dailymail.com or 304-348-4836.

COMMENTS (1) ON "TAX REFORM GROUP ESTABLISHES PRIORITIES"

POST COMMENT

Posted By: **rcj112** (3 hours ago)

 Report Abuse

Witt alluded to Byrd's passing by pointing out that West Virginia "won't enjoy, as it did in the past, the benefits of having a strong Congressional delegation that can deliver highway funding in excess of what we're entitled to under traditional formulas. That's something we have to face."

You can say that again. Capito has been a wash when it comes to supporting the state & King Joe is just using it for a stepping stone to the White House.