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Eliminating business property tax would hurt counties, committee says

By Erica Peterson

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August 6, 2010 · A special tax committee is trying to determine whether the benefits of eliminating business personal property taxes outweigh the negatives.

For the past few years, state lawmakers have talked about exempting West Virginia's businesses from the personal property tax. Gov. Manchin proposed the measure during the last legislative session but it would have to be approved by a constitutional amendment and no one was sure whether it had enough popular support.

The West Virginia Tax Modernization Project discussed the issue at length during their meeting yesterday.

Proponents of the measure say it would improve West Virginia's business climate; neighboring Ohio lets commercial and industrial businesses exempt their machinery.

Committee member Cal Kent, whose day job is as Vice President of Business and Economic Research at Marshall University, says eliminating that tax would leave a huge funding gap for counties.

"By and large, you've got a huge local gap that right now, there is no authority at the local level to make it up," Kent said.

"It would be very difficult in many of the counties, even if they did have the authority, to offset the \$10, \$15 million losses that they would experience. So the whole question that you have to answer is where and how is the state going to keep the counties whole when they lose a significant source of their revenue."

Personal property tax is one of the few that goes directly to the counties. Kent estimates that in total West Virginia's 55 counties will lose about \$250 million if the tax exemption is passed.

The West Virginia Center on Budget and Policy released a draft report on the effects of exempting the business personal property tax. Executive Director Ted Boettner says the measure is a costly and ineffective way of increasing job growth.

"The scholarly consensus is that state and local business tax cuts are ineffective at increasing employment growth and economic development," he said.

"Businesses look at an array of things, and especially they look at the labor force, quality of living, transportation costs and these things. It would probably do little to attract new manufacturing, especially in a slumping economy."

The committee didn't take action on the issue, but decided to study it some more.

They also discussed ways to streamline West Virginia's senior tax credit. Right now, there are four different tax credits that seniors are eligible for, but most of them take the Homestead Exemption tax.

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By Erica Peterson

Members of the West Virginia Tax Modernization Project are scheduled to meet Thursday to take on another set of proposals to reform the state's tax system.

Deputy Secretary for the Department of Revenue Mark Muchow says the options are confusing, and that sometimes seniors don't choose the credit that's best for them. His subcommittee recommended the credits be reduced to one option.

"But the single option would be expanded," Muchow said. "Those who qualify for the refundable tax credit under the homestead exemption provision on the first \$20,000 of taxable valuation would continue to receive that benefit.

"In addition, if after that benefit has been applied, the net tax that's left over is still in excess of four percent of their gross income, they would also take advantage of the excess circuit breaker tax credit which is a refund of tax in excess of four percent of gross income up to \$1,000."

The Tax Modernization Project will send its recommendations to the governor, who will decide whether to ask the Legislature to take action on the issue during their regular session.

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