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NEWS RELEASE

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West Virginia on Verge of Losing Millions

*The Economic Stimulus Plan Passed by Congress will cost West Virginia
Between \$28-\$74 Million if the State Legislature Does Not Act*

Charleston, WV - West Virginia stands to lose between \$28 and \$74 million in state tax revenue due to the economic stimulus plan passed Congress last night, according to numbers provided by the WV Department of Revenue and the DC based Center on Budget and Policy Priorities (CBPP). The economic stimulus contains an accelerated business depreciation provision and an expensing provision that would increase federal deductions for corporations and businesses. West Virginia's tax code is "coupled" with the federal tax code, meaning that an increase in federal deductions results in less state revenue

Some 25 states are expected to lose revenue as a result of the bonus depreciation provision, which allows corporations to claim a tax deduction for up to half of the cost of new investments in 2008 right away rather than spreading out the cost over several years.

Because of the linked tax codes, the CBPP estimates that West Virginia will lose \$72 million in state revenue due to the accelerated business depreciation and another \$2 million due to an expensing provision in the economic stimulus plan. Mark Muchow, Deputy Cabinet Secretary of the Department of Revenue, on the other hand, estimates that West Virginia will lose between \$28 - \$38 million.

To address the sudden loss of revenues, the state legislature can pass a bill "decoupling," or disconnecting, the West Virginia tax code from the federal tax code. Decoupling will permit West Virginia businesses to benefit from the federal tax benefit while state taxes remain the same.

"As West Virginia grapples with serious fiscal challenges related to unfunded liabilities, health care, education, and infrastructure, this unplanned tax cut could have serious consequences in the state's ability to meet its fiscal obligations. Decoupling is a no brainer," said Ted Boettner, director of the West Virginia Center on Budget and Policy.

The Center on Budget and Policy Priorities report: www.cbpp.org/1-22-08sfp.htm

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