

[<< Back](#)

No likely increase in severance tax, future fund to resurface during WV legislative session

Posted: Jan 06, 2012 3:02 PM EST

Updated: Jan 06, 2012 3:42 PM EST

By Taylor Kuykendall, Reporter - [email](#)

A proposal to steer the state away from the effects of a potential "boom and bust cycle" will resurface in 2012's legislative session, but will probably not include a hike in severance tax.



During a legislative outlook event Thursday, Gov. Earl Ray Tomblin's Chief of Staff Rob Alsop said a tax increase was not being discussed. Tomblin, during his campaign for governor and since his election, has said he would not consider tax increases.

During his own run for governor, Senate President Jeff Kessler, D-Marshall, touted the idea of a "future fund." His proposal, introduced in the Senate in the past session, would take money from the severance tax collections and put it into a trust fund.

Kessler said his plan never included an increase on severance tax.

"If the pie is going to get bigger, we would devote a portion of that, rather than to the general revenue fund, we would take a portion of that and dedicate it to a future trust fund," Kessler said. "... You're going to see such an enormous increase in the level of activity, the pie is going to get bigger, the revenues are going to get greater, even at the same tax rate."

Kessler said the proposal could set a baseline of pre-Marcellus activity and determine a portion of the additional revenues to set aside for future need.

"The biggest reason is to ensure our future prosperity when the gas is gone," Kessler said. "It's a finite resource, and when it's gone, we want to make sure there is funding available to help in the meantime to provide for some diversification of our economy."

The aftermath of a resource boom, a bust, has already happened in West Virginia.

"That's one of the problems in the deep southern coalfields," Kessler said. "... Particularly in McDowell (County), where the coal is gone. There is very little left there for them to sustain their economy. I think this would prevent that from happening in other areas of the state."

The West Virginia Center on Budget and Policy also advocated a mineral trust fund, similar to other resource-laden states.

Sean O'Leary, an analyst with the WVCPB, wrote about a mineral trust fund in a report advocating "strengthening" the state's severance tax by scaling back credits, limits and reductions to the tax.

"The coming boom in natural gas production provides West Virginia with an opportunity to convert its depleting natural resources into a permanent source of wealth," O'Leary wrote. "West Virginia should join states like Alaska, Montana, New Mexico, North Dakota, Utah and Wyoming and establish a permanent trust fund based on a portion of severance tax revenue. In fact, the state could actually raise the effective rate of the severance tax in order to finance the trust fund with little risk of affecting the state's natural resource industries."

The fund, Kessler said, could be used for varying needs. In Alaska, he points out it is used to give an income tax break to residents. He said some could be used for economic development projects or education and infrastructure improvements.

Kessler confirmed he will be reintroducing his bill, but it remains to be seen how other lawmakers will react to it.

"I'm going to introduce it again, we'll see what kind of appetite there might be for it," Kessler said.