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# W.Va. lawmakers receive "cracker" tax break bill

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CHARLESTON, W.Va. (AP) -- West Virginia would offer a 25-year break from property taxes to attract a new chemical plant fueled by the state's emerging Marcellus natural gas industry, under a proposal from Gov. Earl Ray Tomblin that debuted in the Legislature on Tuesday.

A second bill introduced from Tomblin's agenda would continue to exempt the state's ailing timber sector from severance taxes, while a third would repeal a tax on telecommunications services that no longer yields revenues.

West Virginia is competing with other Marcellus shale states for a so-called "cracker" plant. This massive facility would "crack" or convert ethane, a byproduct of Marcellus wells, into the highly useful chemical compound ethylene.

The state Department of Revenue estimates that a \$2 billion plant would create 12,000 jobs, both direct and indirect as well as induced by the resulting consumer activity. Revenue officials say these jobs would provide \$600 million in wages annually.

"We really see it as a way to revitalize manufacturing in West Virginia," Karen Price, president of the Manufacturers Association, said of a cracker. She added, "It won't just change the manufacturing economy, it will change the whole economy."

Tomblin's proposal would benefit a company that invests at least \$2 billion to build a cracker. It would slash the appraised value of real estate as well as equipment and inventory to 5 percent of market value. It expands on a 10-year tax break passed last year, at Tomblin's request, to spur spinoff industries from drilling the natural gas-rich Marcellus reserve.

Price's group supports the bill as a "great economic development tool," she said Tuesday.

"I think we're pretty well positioned (for a cracker). The tax issue is one that sticks out like a sore thumb," Price said.

The West Virginia Constitution tightly controls property taxes, which are the main revenue source for counties and their public school systems. Amid a debate over amending that strict language, lawmakers have granted 5 percent or salvage-value rates to other categories of property such as for aircraft in 2008.

Ted Boettner, executive director of the West Virginia Center on Budget and Policy, estimated that a cracker plant in Kanawha County with a market value of \$1 billion would enjoy a \$13 million annual tax break. Boettner's nonprofit group scrutinizes such tax incentives while advocating that government spending can aid low- and moderate-income residents.

"Attracting good paying jobs to the state is very important, but we should be very careful not to balance business tax cuts on the back of educating our children or other state residents," Boettner said Tuesday. He added that "while we support strategic state subsidies and development of the Marcellus shale gas play, this could be viewed by conservatives as a case of government 'picking winners.'"

Revenue officials estimate that at salvage value, a cracker that qualifies for the break would still provide around \$1.5 million in annual property taxes to its host county.

The timber tax break would continue a four-year exemption approved by lawmakers in 2009, to help the industry weather the recession. It's still needed, said Sen. Karen Facemyer, whose family is involved in timbering.

"It's an industry that's on life support," said Facemyer, R-Jackson. "Until the housing market comes back, it's an industry pretty much on hold. So, I'm very pleased to see the governor agreeing that we need to take some measures to protect the measure."

The severance tax on trees cut down by industry had provided revenues to the state Division of Forestry. The agency's share of general tax proceeds has actually increased since 2009, from \$3.9 million to \$4.3 million, though the number of full-time positions has dropped from 73 to 68, state budget figures show.

Timber would remain exempt until severance tax revenues on other extracted natural resources finishes paying off a debt left from when the state ran a workers' compensation system. That's expected by 2016.

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