

Immediate Release

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Income Tax Elimination is a Poor Growth Strategy

(Charleston, WV) A new West Virginia Center on Budget and Policy Issue Brief, *Income Tax Cuts and Shifting to Sales Tax a Poor Strategy for Growing West Virginia's Economy*, released today details the impact of an elimination of the state's income tax and outlines a tax reform strategy based on ability to pay.

Reducing or eliminating West Virginia state's income tax would mostly benefit the wealthy, likely fail to produce anticipated economic growth, and would destabilize our state's revenue system.

"Efforts to gut the income tax and replace it with a higher sales tax would dramatically shift tax responsibility onto low- and moderate-income West Virginians, while giving a huge tax break to wealthier West Virginians," Ted Boettner, author and Executive Director of the West Virginia Center on Budget and Policy said. "Such a move would not only exacerbate growing income inequality and destabilize our state's revenue system, compelling evidence shows it would likely backfire and lead to large budget cuts."

Reducing the income tax and replacing it with a higher sales tax is a strategy that has been tried over and over in other states with little or nothing to show, other than revenue erosion that brings cuts in support for schools, transportation and other true building blocks of broad prosperity. A better course for West Virginia would be to reform the tax system in ways that would close our looming budget gap, tie what people owe more closely to their ability to pay, and help more hardworking men and women provide their families with a secure future.

While there are no details yet about what a West Virginia income tax cut would look like or what would be included in a sales tax hike, State Senate leadership and Governor Justice said their goal was to eliminate that tax altogether. Income tax cuts and proposals in other states have involved significant increases in other taxes – those that affect low- and middle-class households more than the wealthy – and major cuts to essential services.

Replacing the income tax with a broader based sales tax and rate increase in West Virginia would raise taxes on 60 percent of families while giving the top 1 percent a tax break of over \$27,000. Instead of cutting the income tax, lawmakers should pursue efforts to limit itemized deductions, modernize tax brackets, and create a refundable Earned Income Tax Credit.

