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News Release

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Ending Business Personal Property Tax Not the Answer to West Virginia's Budget Woes

Cuts Would Shift Responsibility to Homeowners and Small Businesses

(*Charleston, WV*) Reducing or eliminating property taxes on business personal property would lead to large revenue losses, weakening the ability of local governments to invest in roads, public safety, and recreation. According to a new report from the West Virginia Center on Budget and Policy, replacing the lost revenue would likely result in higher property taxes for homeowners and real property owned by other businesses.

According to "Ending Business Personal Property Tax Ineffective Way to Boost West Virginia Economy," eliminating the tax on business personal property would dramatically narrow the state's property tax base, likely leading to higher rates and introducing more inequity into the system.

"Despite criticisms from businesses and anti-tax activists, West Virginia's property taxes are among the lowest in the country, even when accounting for the business personal property tax," explained Sean O'Leary, fiscal policy analyst with the West Virginia Center on Budget and Policy. "The broad base of West Virginia's property tax system allows for low rates and keeps the property tax from being regressive, unlike in other states. Eliminating it would cost the state and local governments tens of millions of dollars in revenue, undermining our ability to invest in education, infrastructure, public safety, and the other public structures that make West Virginia a good place to live and work, all with little evidence that it will create jobs or grow the economy."

Eliminating business personal property taxes would require the state legislature to ensure adequate funding for education and increase the state's share of the School Aid Formula. Counties and municipalities would require greater flexibility in generating revenue, including removing levy rate caps and giving local governments the power to levy income, sales, or severance taxes at the local level. Each of these options would result in a tax shift, increasing taxes on other businesses and homeowners.

The state's ability to generate revenue has been compromised by tax cuts and a slow-growing economy, resulting in multiple rounds of budget cuts. Further eroding state and local revenues can only have more detrimental effects.

Key findings of the report include:

- The tax on business personal property accounts for an estimated 19 percent of all property tax revenue in the state. Overall, property taxes in West Virginia are below average for individuals, homeowners, and most businesses.
- Compared to other major taxes, the property tax is a more stable source of revenue, especially during economic downturns. This helps ensure that the state has enough resources to maintain investments in education and other important public services.

- Numerous studies provide significant support to conclude that business taxes do not play a significant role in business investment decisions, and that tax cuts are not an effective method to grow the economy and create jobs.
- If business personal property were fully exempted from taxation, county and municipal governments would lose an estimated $101 million in property tax revenue for FY 2015.
- Eliminating the property tax on business personal property would cause local school districts to lose an estimated $202 million in revenue. In response, the state's contributions to the School Aid Formula would increase by an estimated $80 million, but school districts would still face a funding gap of $122 million. Without legislative action, local school districts would be unable to fill this deficit, and the state would need to provide this additional revenue to maintain the current educational system.

The full report is available at www.wvpolicy.org.

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