

THE FAIR 55 TAX REFORM PLAN ©

As West Virginia's new governor and legislature assume the responsibilities of governing, they face a serious budgetary challenge caused by two conditions: the State's oversized, nation-leading *per capita* scale of state and local government and a fundamentally unreliable revenue system. That unreliability manifests an unfairness: (a) to the taxpayers, (b) to the citizens relying on efficient government operations to provide opportunities for economic self-reliance, and temporary support until those opportunities materialize, and (c) to the public servants conducting those operations.

The Fair 55 Tax Reform Plan (built on the Fair Tax Plan of the Cecil Underwood administration) has been designed to comprehensively address such multi-faceted unfairness. That would be achieved by asking the voters to amend the State's constitution to repeal and replace much of our convoluted state and local tax structure. Thus, the taxes, now imposed on currently earned income and job-creating tangible personal property, would be replaced with broad-based individual and enterprise consumption taxes. The Plan is designed to combine the self-assessing virtues and administrative efficiencies, inherent in a consumption tax, with features that: (a) fully mitigate the tax's regressive impact if applied to low-income citizens' purchases of the necessities of life, (b) avoid the threat of border competition in retail sales and (c) neutralizes competitive disadvantages perceived to occur by taxation of business inputs.

At the same time, the Plan assures fairness to local governments and citizens by: (a) mandating legislative funding, by fully equalized block-grant, general fund appropriations, of 100% of the constitution's "thorough and efficient" standard for public education, while (b) replacing personal property tax revenues, otherwise used by local governments, by re-allocating to those bodies the entire real estate tax base. The Plan would supplement those base-line measures with other reforms enhancing local fiscal policy flexibility, encouraging multi-jurisdictional cooperation and enabling school choice and voter referenda on many local fiscal policy questions. All of this will liberate West Virginians from the tyranny of the obsolete, centralized, one-size-fits-all approach under which we have struggled for far too long.

To responsibly phase-in the Plan, it will first be necessary to confirm, by dynamic scoring, the revenue-neutral fiscal scorecard its preliminary static analysis anticipates. Thus, the separate debate, over the proper size and structure of government, can proceed unencumbered by the unreliable and unfair revenue system on which we now uneasily depend for funding.

