Key to Data Sources for Fair 55 Tax Plan for West Virginia©

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Line 1. Source: FY 2015 WV General Fund Budget, WV Budget Office. Non-tax revenues items retained would consist of Departmental Collections, Miscellaneous Receipts, Miscellaneous Transfers, Interest Income, HB 102 Lottery Transfers, Liquor License Renewals and Senior Citizen Tax Credit Reimbursements, for a total of $140,951,000. In addition, the entered amount reflects the reallocation to counties of the current State share of both *ad valorem* property tax and property transfer tax revenues of $19, 200,000.

Line 2. Source: FY 2015 Classified Assessed Valuations/Taxes Levied, published by the WV State Tax Department

Line 3. Extrapolated from FY 2015 Classified Assessed Valuations/Taxes Levied, published by the WV State Tax Department. Governing assumption: If the assessed value of tangible personal property (TPP) in any given county is less than one-half of the total assessed value of all property in that county (i.e. TPP, real property and public utility property), then, due to the current statutory allocation of levying authority among the levying bodies, the proposed elimination of the *ad valorem* tax on TPP for all levying bodies, combined with the reallocation of the Board of Education’s/Legislature’s regular/current expense levying authority over real estate (RE) and public utility (PU) property to the County Commissions and Municipal Councils, will not result in a net reduction of the amount of those latter bodies’ taxing capacity, in terms of taxable assessed values. NOTE: Due to limits of the published data, the portion of the taxes levied on TPP and consisting of “chattels real” (i.e leasehold interests in mineral estates), but classified as TPP for assessment purposes per WV Code §11-3-7a, could not be ascertained and eliminated from the computation. Thus, without eliminating such chattels real which are otherwise intended to remain taxable, for FY 2015, only in Doddridge County and Wetzel County did the assessed value of the TPP (including such chattels real) exceed more than 50% of all assessed values. However, given the extraordinary recent escalation of the value of active mineral leasehold estates in those counties, it is highly likely that, if the assessed value of TPP in those counties were reduced by the value of those leaseholds, the value of the remaining TPP to be exempted in those two counties (excluding the still-to-be-taxed leaseholds) would, also, be well below the assumed 50% threshold for needing such a tax base subsidy.

Line 4. This is purely a computational function of the interplay of the assumed rates and tax base changes. No policy implication should be drawn from the amount or fact of it beyond the prudence of having some cushion in any endeavor which projects public revenues.

Line 5. Revenue neutrality was sought and achieved simply to answer the question, inherently raised in tax reform discussions, to-wit: “how are you going to pay for that?” As the text of this proposal explains in greater detail, the ultimate goal is to achieve revenue responsibility through a revenue-generating system that is fair, simple, neutral, competitive, transparent, flexible to evolving needs and circumstances, and, most importantly responsive only to broad democratic process a/k/a popular consent.

Line 6. Source: FY 2015 WV General Fund Budget, WV Budget Office and 2013 Consumers Sales and Use Tax Expenditure Study published by WV State Tax Department. The entered amount is sum of the budgeted FY 2015 Consumers Sales and Use Tax revenues, and the annual value of the various exemptions selected to be eliminated, divided by current rate of 6% and multiplied by proposed rate of 5.5%.

Line 7. Source: 2012 Statistics of Income, IRS, showing the breakdown of sources of federal adjusted gross income for WV taxpayers; and FY 2015 WV General Fund Budget, WV Budget Office for Corporation Net Income Tax (CNIT) budgeted revenue. The entered amount is a combination of: (a) employee compensation, (b) Form Schedule C and (c) Schedule E pass-through entity income. all multiplied by 5.5%, plus budgeted CNIT divided by 6.5% and multiplied by 5.5%. The amount deducted to account for the credit for healthcare provider tax paid was taken from the June, 2015 Medicaid Report to Joint Committee on Government and Finance, by the WV Department of Health and Human Resources. The exemption for smaller organizations, having less than $100,000 in annual commercial receipts, would not count public or private grants, gifts or donations against that minimum threshold, thus effectively exempting all religious and other donor-supported charitable organizations. NOTE: There are at least two major reasons why the ECT amount entered is inherently understated: (a) The ECT would be imposed on the components of federal gross income before the reducing adjustments are taken to determine federal adjusted gross income; and (b) None of the other elements of the ECT base (i.e. interest and dividends paid and annual depreciation charged, less capital purchases) have been included in the stated amount.

Line 8. Source: 2012 Statistics of Income, IRS, showing the breakdown of sources of federal adjusted gross income for WV taxpayers. The entered amount is the result of multiplying the combined amounts of the identified income sources (non-social security retirement benefits, interest and dividends) by 2.55%. In not adjusting the entered amount for the stated low-income exclusion of taxpayers whose income is below two times the federal poverty level, it was assumed that such taxpayers did not have more than a *de minimis* amount of interest, dividend or non-social security retirement (or disability) income which was reportable as a part of federal adjusted gross income.

Line 9. Source: FY 2015 WV General Fund Budget, WV Budget Office. The entered amount is the result of dividing the budgeted general fund severance tax revenues by 5% and then multiplying the result by 1.55%. To the extent the general fund budgeted severance tax revenue includes revenues derived from natural resource production which is taxed at less than 5% (e.g. regular state/non-local coal @ 4.65%, the thin seam coal production taxed variously at 2% and 1%), then both the tax base and the entered amount are understated.

Line 10. Source: FY 2015 WV General Fund Budget, WV Budget Office. The entered amount is the sum of the budgeted revenues for the identified taxes.