



AMERICANS
for TAX REFORM

February 29, 2016

West Virginia Legislature

Dear Legislator,

I write today to oppose efforts to use tax reform as a Trojan Horse for tax increases in West Virginia. House Bill 2704, which passed the House Finance Committee by a voice vote this weekend, may do just that. Though it has been called the West Virginia Tax Decrease Act of 2016, **if every new dollar generated in sales tax revenue gained from applying the sales tax to new services is not offset dollar-for-dollar with a broader rate reduction, this legislation is a tax increase.**

HB 2704 represents a step in the right direction because it broadens the base of products and services subjected to the sales tax while lowering the rate overall. Principally, this is what conservative tax reform looks like. Caution must be taken, however, to ensure that HB 2704 is revenue neutral, if static scoring is applied, where economic growth is not considered. If dynamic scoring is applied, it is likely that this legislation would generate more revenue for the state in the long term and that would not constitute a tax increase because it is accomplished through growth.

If the broader sales tax rate is not reduced to a rate that makes this a revenue neutral bill, voting for it will constitute a violation of the Taxpayer Protection Pledge, the written commitment many lawmakers have made to their constituents to oppose tax increases.

The West Virginia Tax Department cannot be given unchecked and broad discretion in determining which services will now be subjected to the sales tax. An easy fix to this bill would be to phase in an expansion of the services subjected to the sales tax with a mechanism for a ratchet-down of the state sales tax to provide more certainty in the revenue and budget process. As new services are subjected to the tax, the rate will go down. **The goal of the legislature should be to obtain certainty about the revenue impact of this legislation in a way that is revenue-neutral at worst.**

If you have any questions about ATR's position on this issue, please contact state affairs manager Paul Blair at 202-785-0266 or by email at pblair@atr.org.

Onward,

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