



# AMERICANS *for* TAX REFORM

April 16, 2018

To: Members of Virginia House of Delegates and State Senate  
From: ATR President Grover Norquist  
Re: Reject Medicaid Expansion and Tax Hikes

Dear Members of the Virginia House and Senate,

On behalf of Americans for Tax Reform (ATR) and our supporters across Virginia, I urge lawmakers to hold the line by rejecting efforts to expand Medicaid, increase the hospital bed tax, and raise the tax on real estate transactions and hotel stays. After being hit with 20 federal Obamacare tax increases and a massive state sales tax increase in the last decade, the last thing hardworking Virginia taxpayers need is to have lawmakers in Richmond pile on with substantially higher costs to the healthcare system, real estate sales, and tourism.

Over the last ten years Medicaid accounted for more than 60 percent of General Fund spending growth in the Commonwealth. If the program is expanded, it will take an even heavier toll on the state budget. As the Foundation for Government Accountability notes in a February report, Medicaid expansion cost states two and a half times as much as promised. **Moreover, expansion per-person costs have exceeded original estimates by 76 percent and total Medicaid expansion cost overruns have cost taxpayers 157 percent more than expected.** These overruns would shackle Virginia taxpayers with billions of dollars more than expected.

Further, this reckless spending proposal games the federal Medicaid system with a higher hospital bed tax. Hospital bed taxes are used in an attempt to shift costs from Virginia to taxpayers around the country. At any point, however, Congress could significantly limit the maximum health-care provider taxation, the mechanism by which a bed tax is an appealing way to pay for expansion. Additionally, hoping that the federal government will maintain its promise to fund 90 percent of expansion costs in perpetuity is an assumption made by those with a fundamental misunderstanding of reality about Washington, D.C. and its debt obligations. If Virginia expands Medicaid, there is no turning back. The state will eventually be on the hook for billions.

Raising taxes is what lawmakers do instead of reforming government. Gov. Northam's call to increase a tax on real estate transactions in Northern Virginia by 5 cents per \$100 of the sales price and to increase the tax on hotel stays to 3 percent from 2 percent also represents a reckless approach to governing. Take, for instance, the proposed 3 percent tax on hotels/motels. This proposal would drive away tourism and reduce the job-creating capacity of hotel businesses, as those traveling into or through Virginia will decide to stay the night in West Virginia or Maryland rather than shell out more for a hotel room in Virginia. This proposed tax increase would also save time for event planners, as they would be able to quickly cross the Old Dominion off the list of potential locations for conferences, weddings, and other events.

**ATR urges the legislature to reject Medicaid expansion, the new bed tax, and calls to increase the tax on real estate transactions as well as increase the tax on hotels/motels.**

Lawmakers should pass work requirements and focus on reforms that drive down costs instead of trying to game the federal Medicaid system. If you have any questions regarding ATR's position on this issue, please contact ATR state affairs manager Miriam Roff at 202-785-0266 or by email at [mroff@atr.org](mailto:mroff@atr.org).

Sincerely,

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