

Significant West Virginia Tax Reductions Since 2006

<u>Consumer Sales and Service Tax</u>	<u>Value</u>
1. Phase-out of sales tax on food for home consumption:	\$162 million
a. Rate from 6% to 5% on January 1, 2006	
b. Rate from 5% to 4% on July 1, 2007	
c. Rate from 4% to 3% on July 1, 2008	
d. Rate from 3% to 2% on January 1, 2012	
e. Rate from 2% to 1% on July 1, 2012	
f. Rate from 1%to 0% on July 1, 2013	
2. Expansion of Prescription Drug Exemption:	13 million
a. Purchases by health care providers exempt on July 1, 2007	
3. Expansion of Pass-Through Exemption for Contractors	7 million
a. Direct use exemptions apply to contractor purchases	
b. Expansion to manufacturing contractors on July 1, 2007	
c. Expansion to other direct use exemption entities on July 1, 2009	
Subtotal	<u>\$ 182 million</u>

<u>Personal Income Tax</u>	<u>Value</u>
1. Refundable Homestead Exemption Tax Credit Expanded	\$ 5 million
a. Tax credit doubled from tax on first \$10,000 to \$20,000 in 2007	
2. Low-Income Family Tax Credit	18 million
a. Eliminates tax on families at or below poverty level in 2007	
3. Refundable Excess Homestead Tax Credit	3 million
a. Tax credit of up to \$1,000 for residential property tax in 2008	
b. Residential property tax must be greater than 4% of gross income	
4. Repeal State Alternative Minimum Tax (AMT) in 2010	1 million
Subtotal	<u>\$ 27 million</u>

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<u>Corporation Net Income/Business Franchise Tax</u>	<u>Value</u>
1. Rate Reductions in 2007 – [Value \$35 million less \$10 million]	\$ 25 million
a. Corporation Net Income Tax Rate from 9.0% to 8.75%	
b. Business Franchise Tax Rate from 0.7% to 0.55%	
c. Repeal of Capital Company Tax Credit – Value up to \$10 million	
2. Combined Reporting Reform Acts – Effective in 2009	\$180 million
a. Adopt combined reporting requirement for unitary groups	
b. Phase-out Business Franchise Tax	
i. From 0.55% to 0.48% in 2009	
ii. From 0.48% to 0.41% in 2010	
iii. From 0.41% to 0.34% in 2011	
iv. From 0.34% to 0.27% in 2012	
v. From 0.27% to 0.20% in 2013	
vi. From 0.20% to 0.10% in 2014	
vii. From 0.10% to 0% in 2015	
c. Phase-down Corporation Net Income Tax Rate	
i. From 8.75% to 8.5% in 2009	
ii. From 8.5% to 7.75% in 2012	
iii. From 7.75% to 7.0% in 2013	
iv. From 7.0% to 6.5% in 2014	
d. Increase Manufacturing Investment Tax Credit offset	
i. Maximum tax offset increased from 50% to 60%	
e. Manufacturing Property Tax Adjustment Credit	
i. Credit for local property taxes paid on manufacturing inventory	
f. Temporary Financial Organization Goodwill Credit	
i. 50% of added goodwill associated with non-domiciled bank acquisition	
ii. Tax credit equals franchise tax rate multiplied by 50% of added goodwill	
g. Temporary Financial Organization Adjusted Tax Credit	
i. Reduces added income tax liability associated with combined reporting	
ii. 80% credit in 2009	
iii. 60% credit in 2010	
iv. 40% credit in 2011	
v. 20% credit in 2012	
vi. 10% credit in 2013	
vii. Minimum tax of \$1 million applies	
 <u>Subtotal</u>	 <u>\$205 million</u>

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<u>Other Taxes</u>	<u>Value</u>
1. Regular Timber Severance Tax	\$ 3 million
a. Rate reduction from 3.22% to 1.22% in 2007	
b. Temporary suspension of tax in 2010	
2. Repeal Corporate Charter Tax	7 million
a. Effective July 1, 2008	
3. Elimination of Business Registration Renewal Fees	1 million
a. Effective as of July 1, 2011 for half of businesses on 2 year cycle	
b. Effective as of July 1, 2012 for half of businesses on 2 year cycle	
4. Repeal Telecommunications Tax	0 million
a. Minimal loss effective in 2013	
b. Most tax eliminated by way of growing competitive service exemption	
Subtotal	<u>\$ 11 million</u>
Grand Total from 2006 to 2015 (FY2007-FY2016)	<u>\$425 million</u>