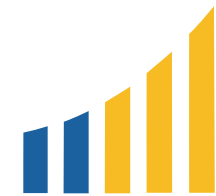


What's at Stake with Amendment 2 and 4?

Barbour County, WV



WEST VIRGINIA CENTER ON
BUDGET & POLICY

Data-driven policies. Shared prosperity.

What is Amendment 2: The Property Tax Modernization Amendment?

“To amend the State Constitution by providing the Legislature with authority to exempt tangible machinery and equipment personal property directly used in business activity and tangible inventory personal property directly used in business activity and personal property tax on motor vehicles from ad valorem property taxation by general law.”

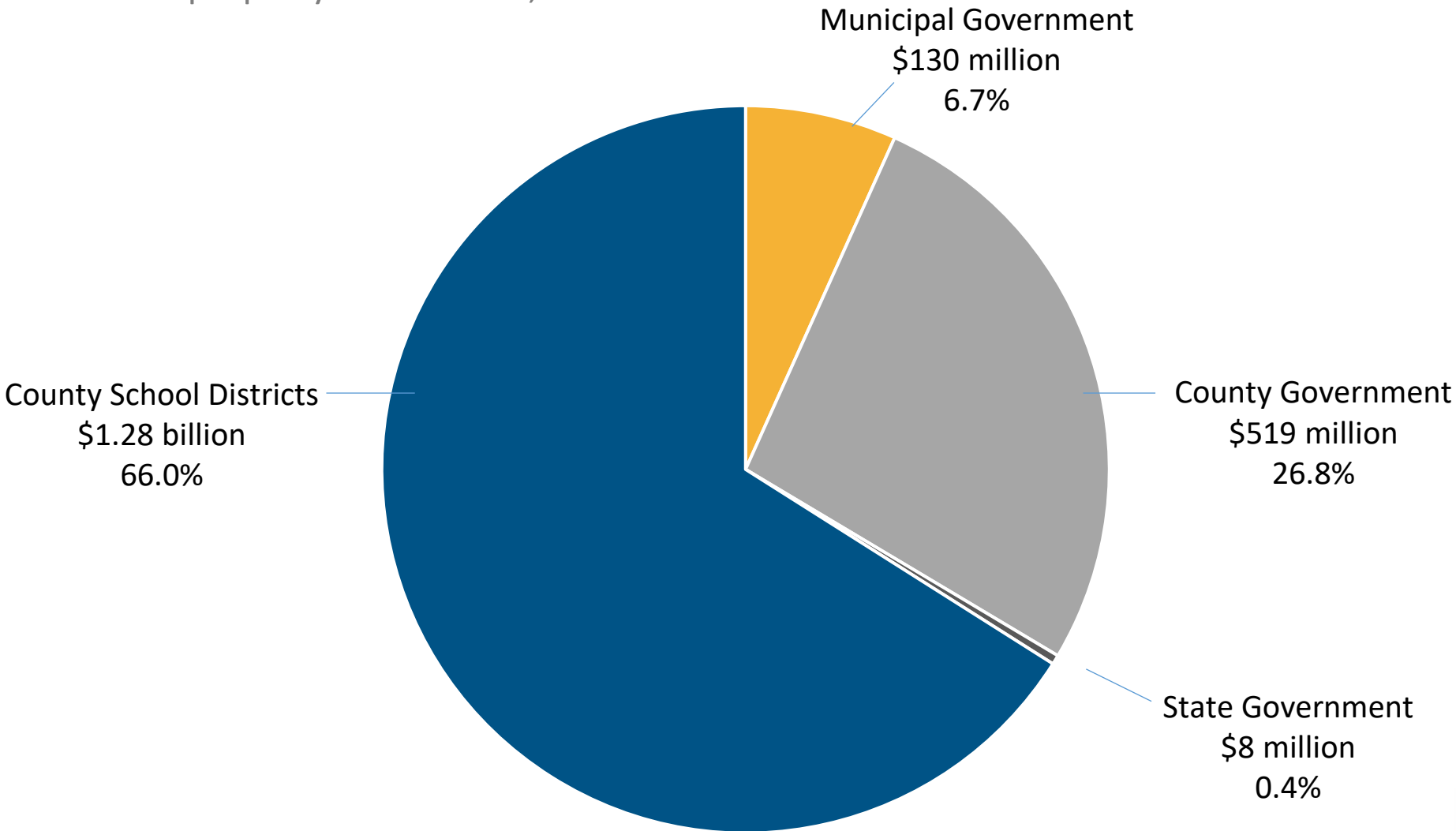
What is Amendment 4: The Education Accountability Amendment?

“The purpose of this amendment is to clarify that the rules and policies promulgated by the State Board of Education, are subject to legislative review, approval, amendment, or rejection.”

Why is this Important?

Two-thirds of Property Tax Revenue Funds K-12 Education

Statewide distribution of property tax revenue, Tax Year 2021



Source: West Virginia State Tax Department



What Would Amendment 2 Actually Do?

Give control of 27 percent of property taxes to the state legislature, which we can expect they will use to give large tax cuts to mostly out-of-state corporations

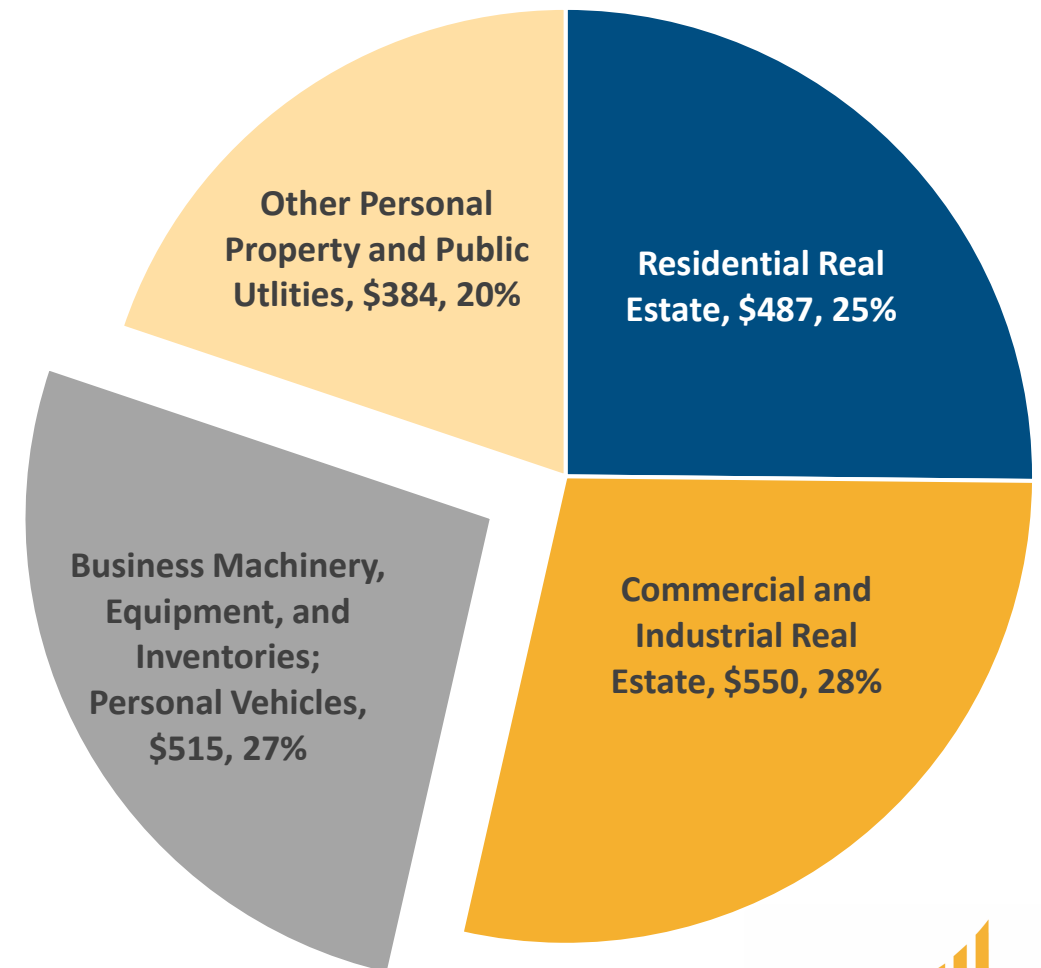
End decades of constitutional protections for local public services

Take property taxation authority away from local voters and communities

Override local voter-approved excess levies that fund schools, parks, emergency response, seniors' services, and public safety

Does not immediately remove the car tax or business personal property tax

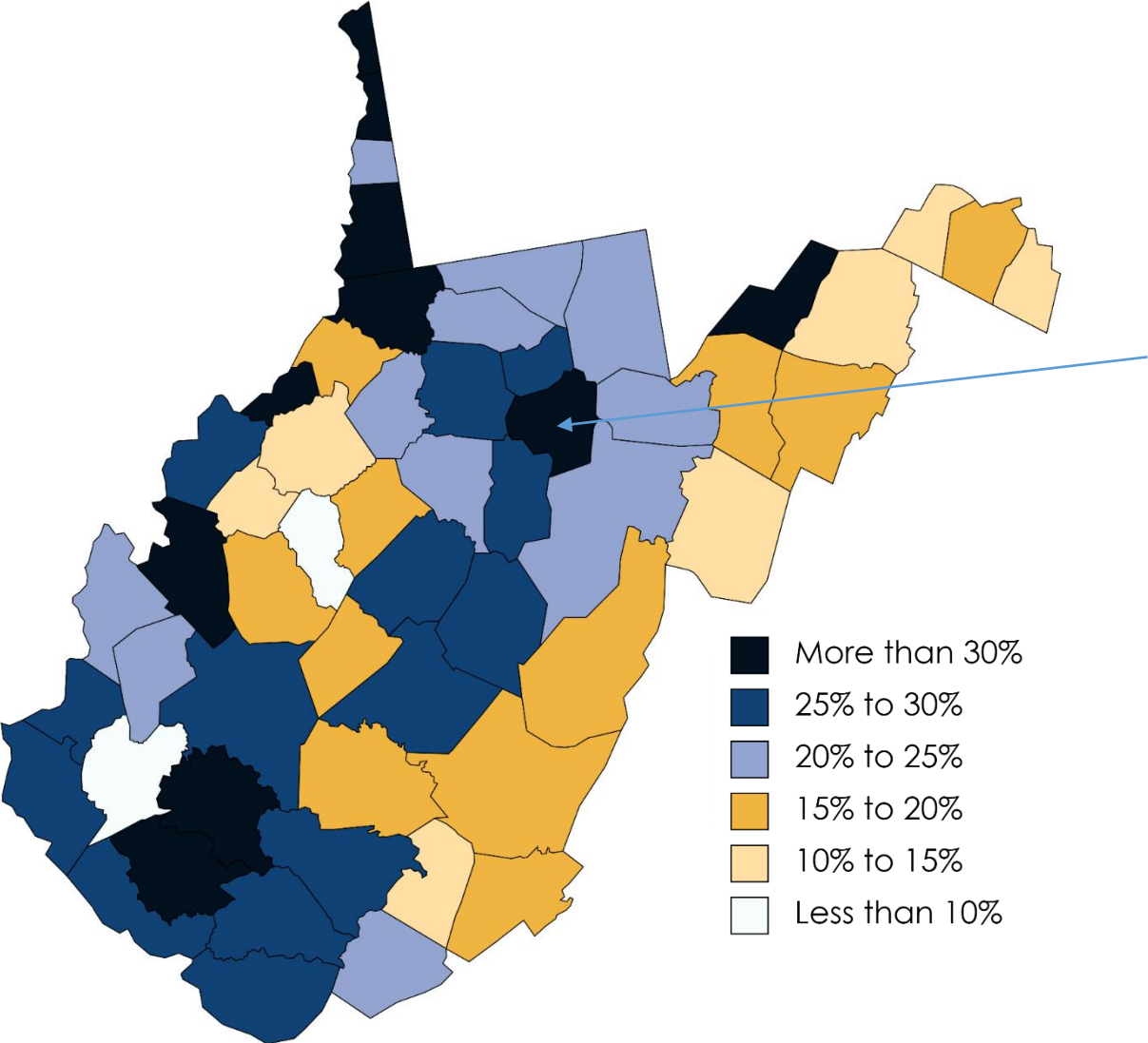
West Virginia property taxes by source, Tax Year 2021 (millions)



Many Counties Rely Heavily on Personal Property Taxes

Commercial and industrial personal property taxes and personal vehicle property taxes as a share of total property tax revenue, by county, TY 2021

Counties range from **7%** of total property tax revenue to **37%** of total property tax revenue.

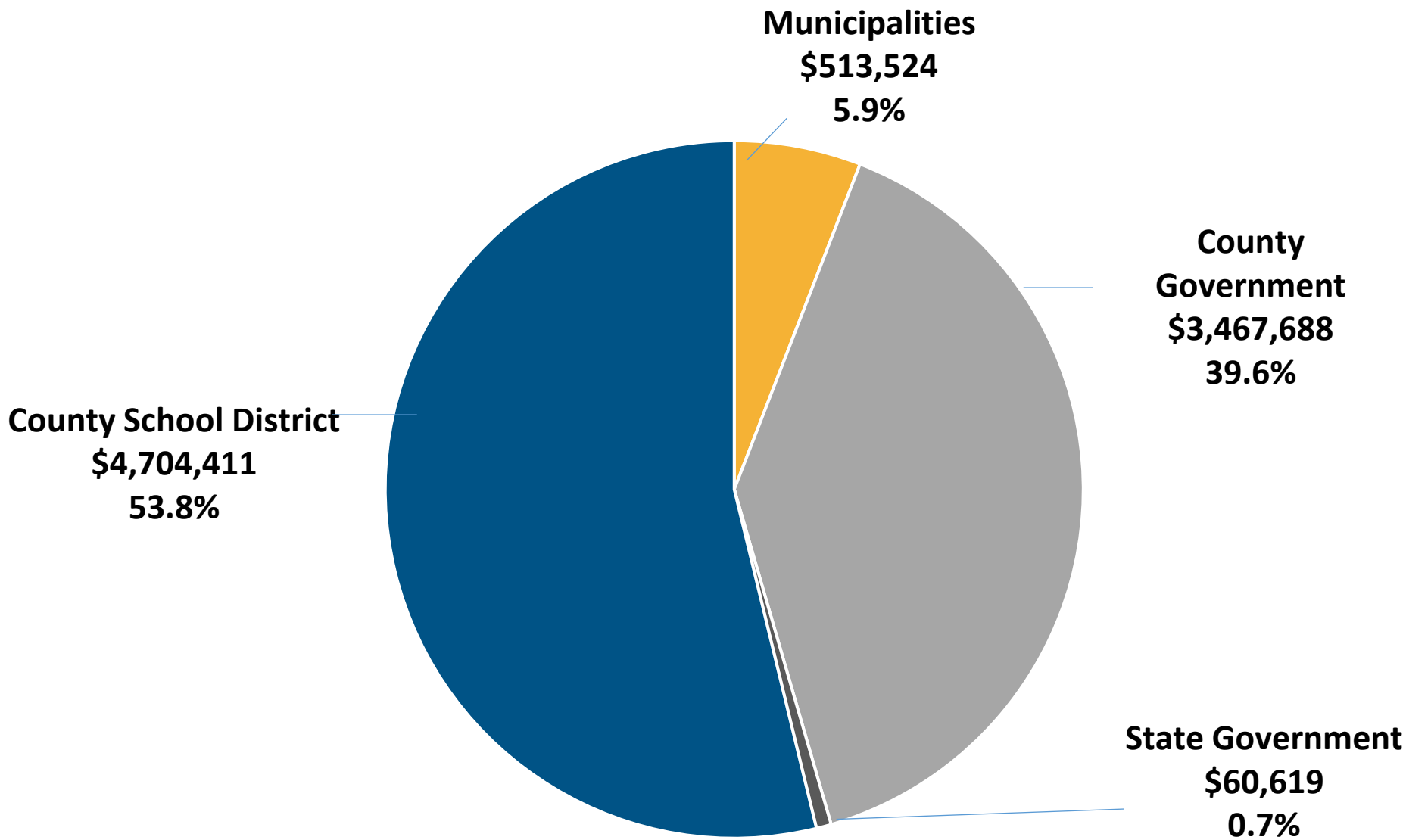


Barbour County:
34.1%

Source: WVCBP analysis of West Virginia Association of Counties and West Virginia State Tax Department data.
Note: Does not include \$50 million in “supplemental” property taxes, or property taxes paid in TY 2021 but owed from a different year

Barbour County Property Taxes Total \$8.7 Million Annually

Distribution of property tax revenue, Tax Year 2021, Barbour County

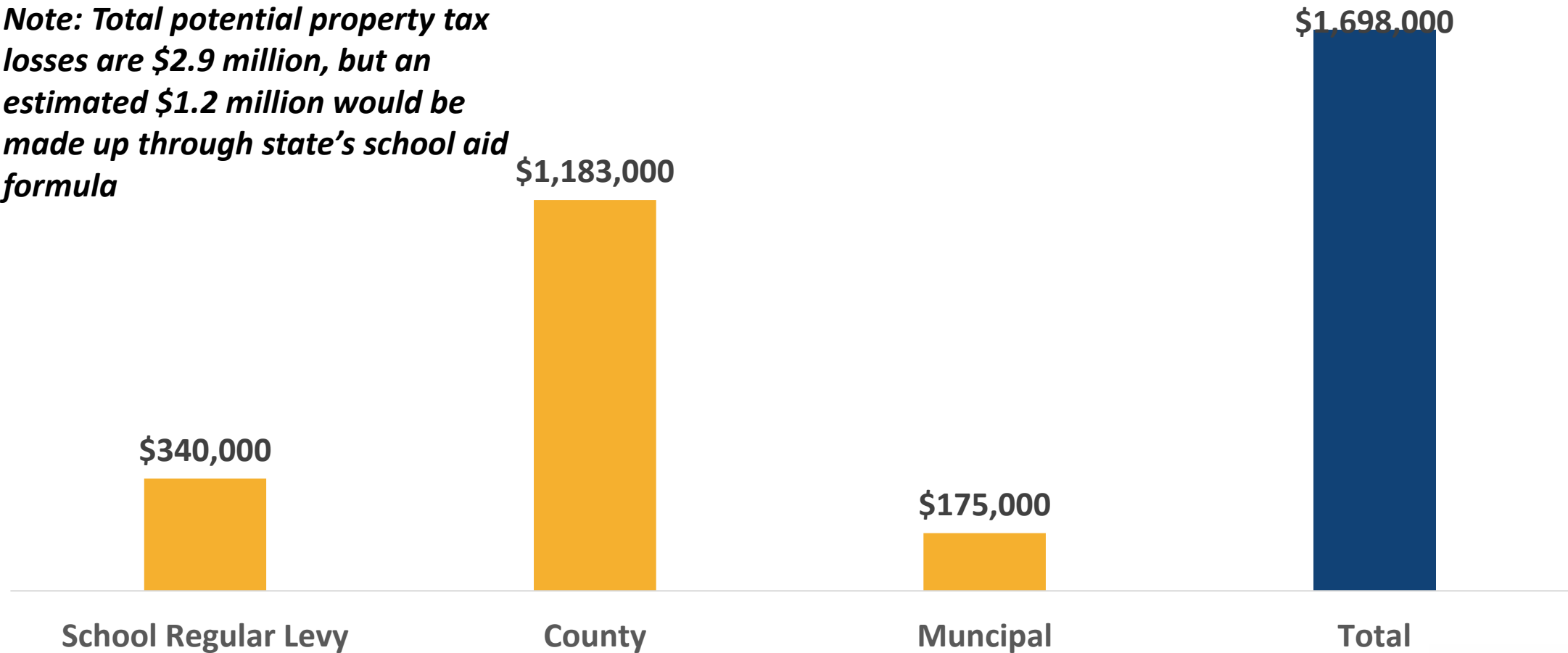


Source: West Virginia State Tax Department and West Virginia Association of Counties

Over \$2.9 Million in Property Tax Revenue Could Be Lost in Barbour County Under Amendment 2 and Subsequent Legislative Action

Potential revenue loss from exempting business machinery and equipment, inventory, other business personal property, and personal vehicles from property taxes, Tax Year 2021

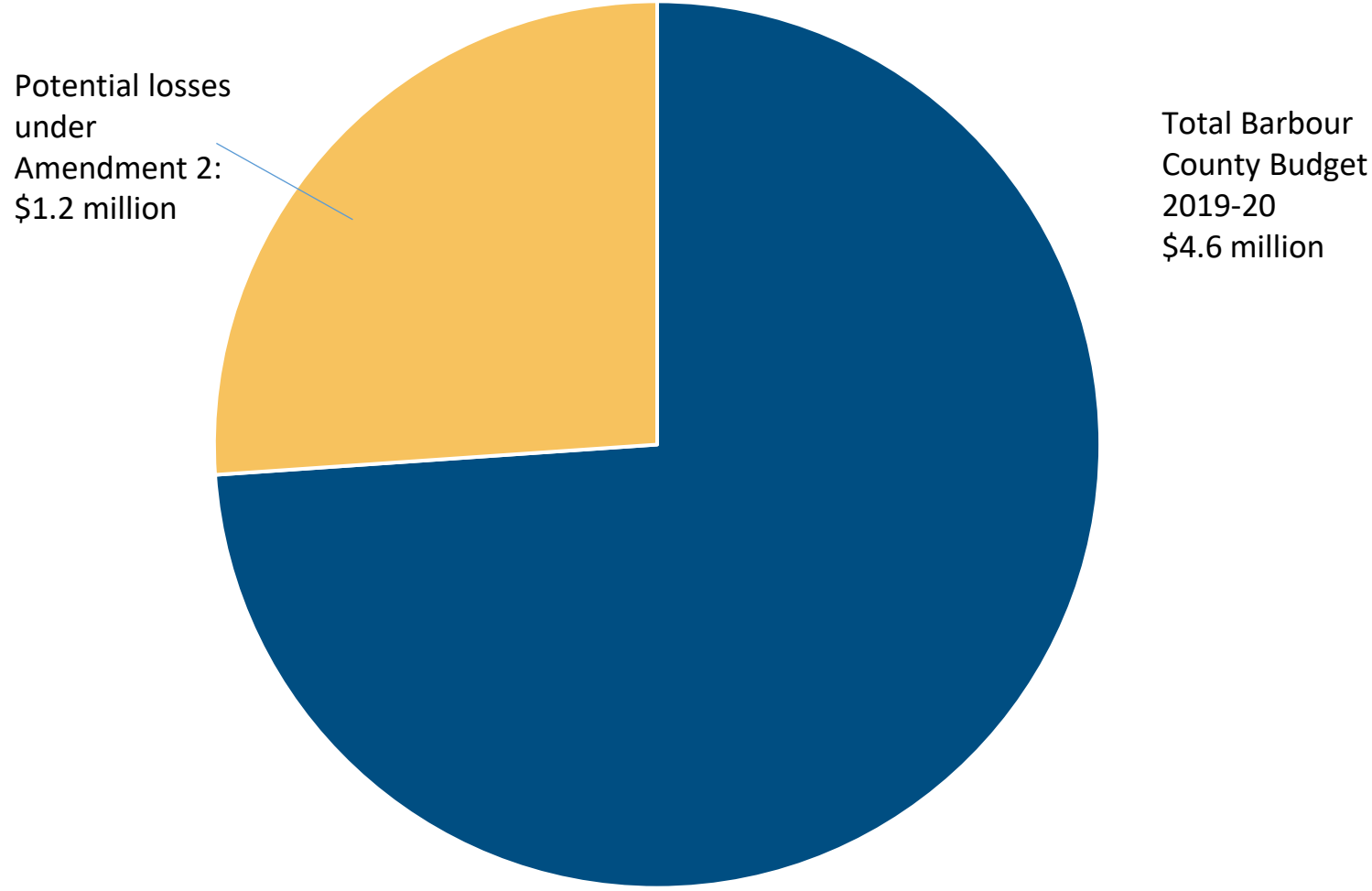
Note: Total potential property tax losses are \$2.9 million, but an estimated \$1.2 million would be made up through state's school aid formula



Source: WVCBP analysis of WV State Tax Department and WV Association of Counties data

Over One Quarter of Barbour County Budget Could Be Lost Under Amendment 2 and Subsequent Legislative Action

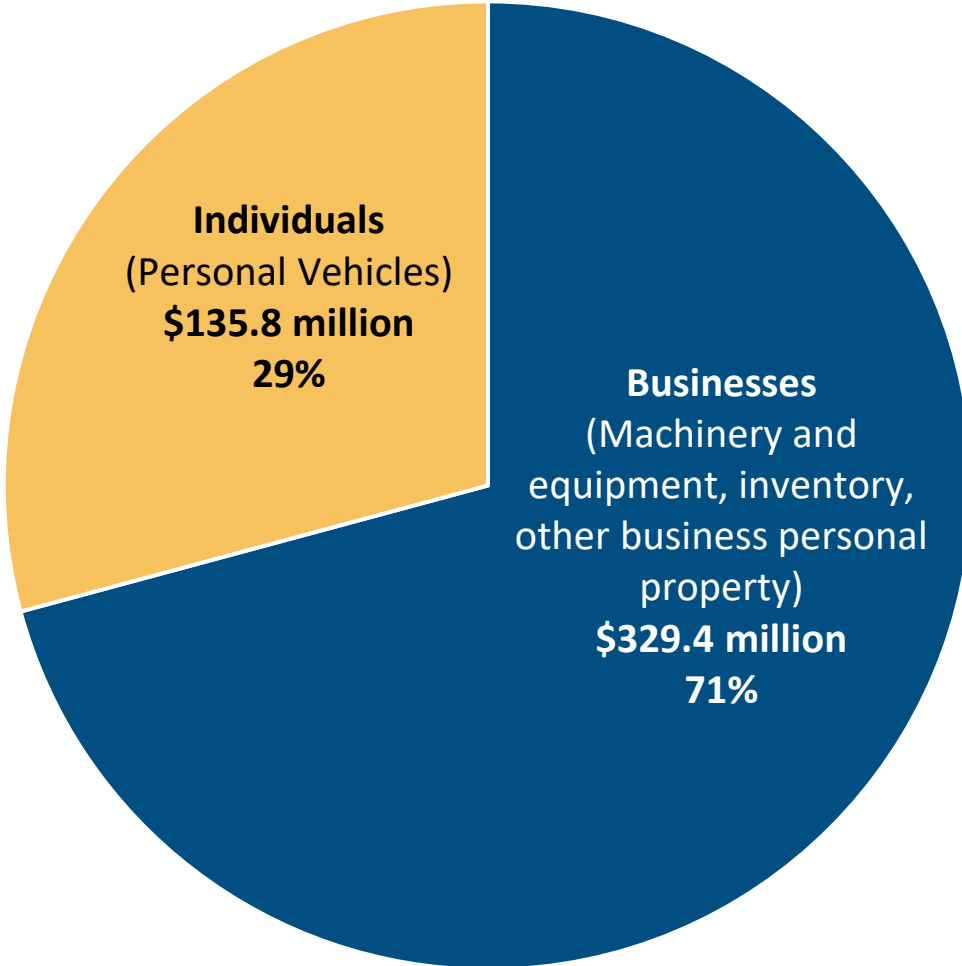
Potential cost of exemptions under Amendment 2 in Barbour County compared with Barbour County Commission FY 2019-20 budget (millions)



Source: WVCBP Analysis of Barbour County Assessor and Barbour County Commission data

Who Are The Winners If Amendment 2 Passes? More Than 70% of Proposed Property Tax Exemptions Statewide Benefit Businesses

West Virginia personal property taxes by source, Tax Year 2021 (millions)



Source: West Virginia Association of Counties and West Virginia State Tax Department data.
Note: Does not include \$50 million in "supplemental" property taxes, or taxes paid in Tax Year 2021 but owed from previous year

Barbour County Budget Funds Critical Public Services that Could Be Cut Under Amendment 2 and Subsequent Lost Revenue

Line items from Barbour County Commissions FY 2022 revised general fund budget

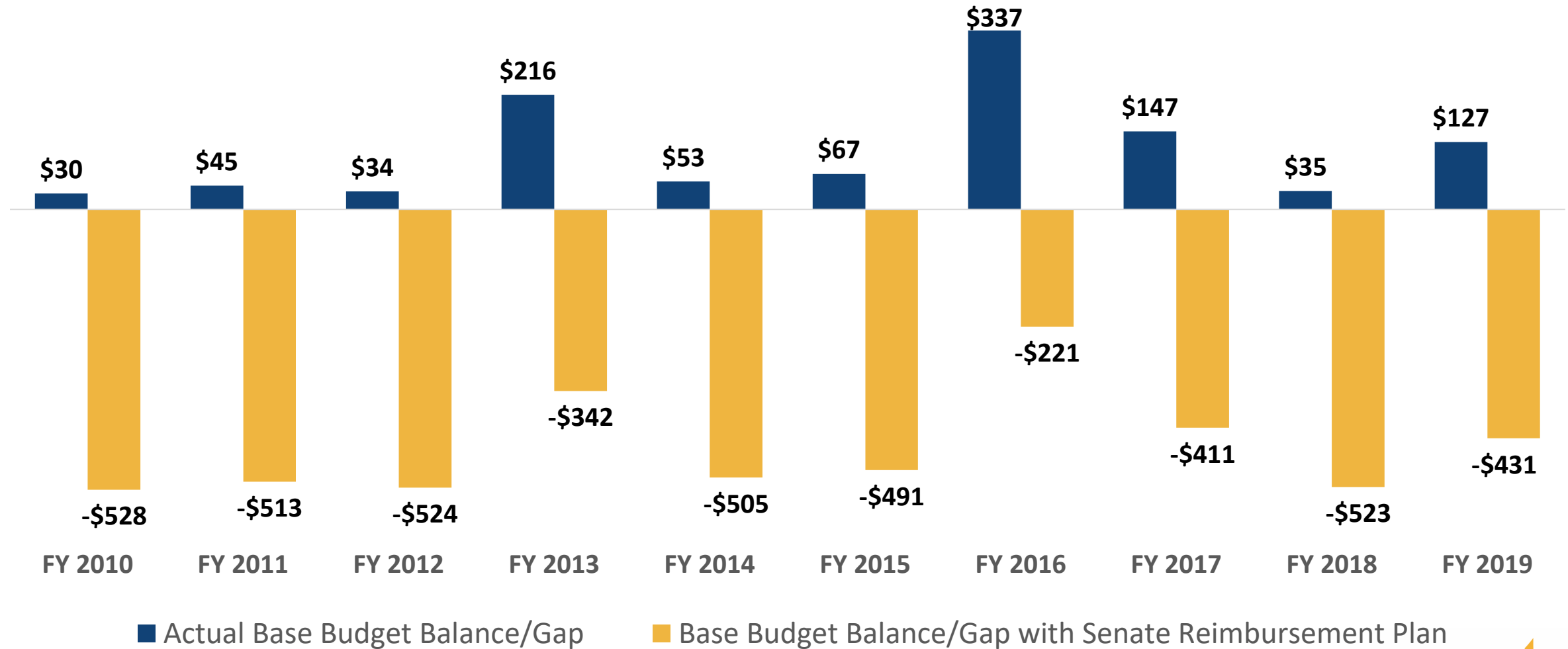
- Law enforcement: \$895,120
- Emergency services: \$94,954
- Fire Department: \$30,000
- Humane society: \$64,863
- Library: \$13,000
- Parks and Recreation: \$138,396

Potential Barbour County
Commission Revenue Loss:

\$1,183,000

To Make Localities Whole Through the State Budget Would Require Unprecedented State Spending or Cuts

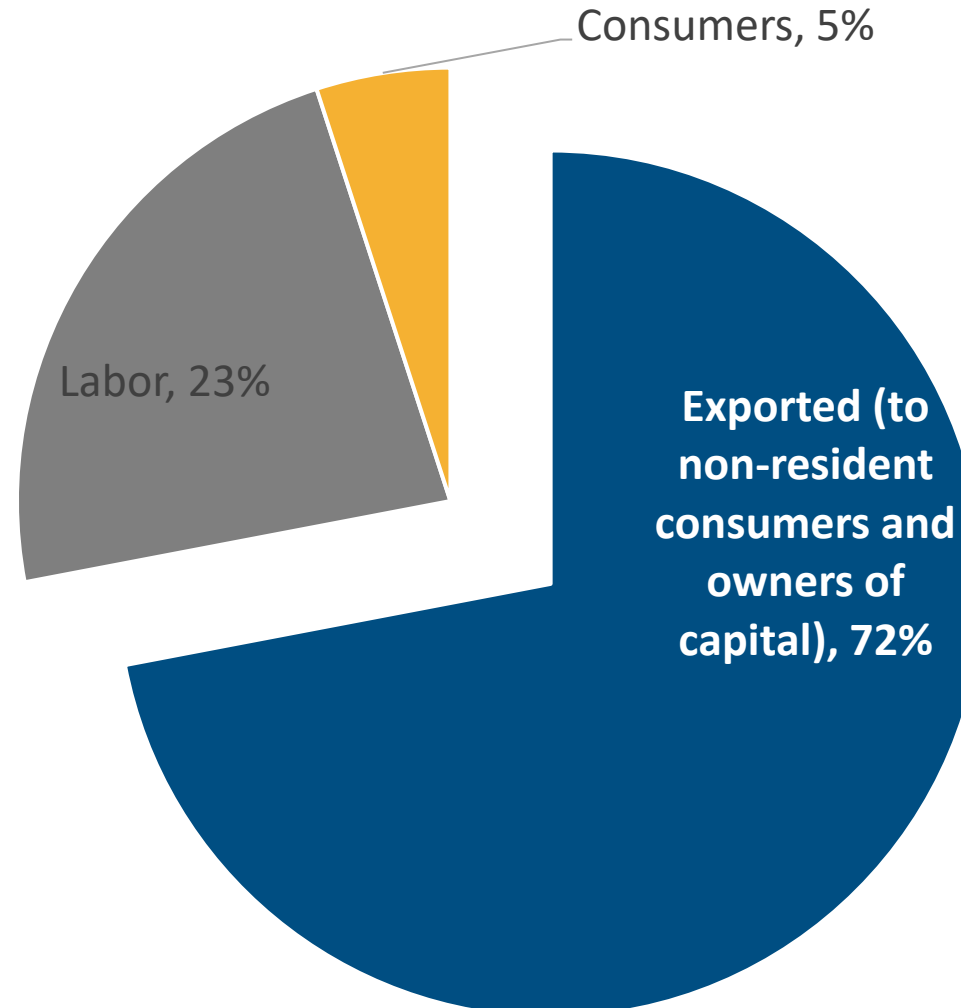
Base budget balance/gap, actual and with Senate plan reimbursement, millions



Source: WVCBP analysis of WV Budget Office data

Industrial Property Taxes Like The Ones Being Considered in Amendment 2 Are Highly Exportable, Having Far Less Impact on In-state Residents Than Other Taxes

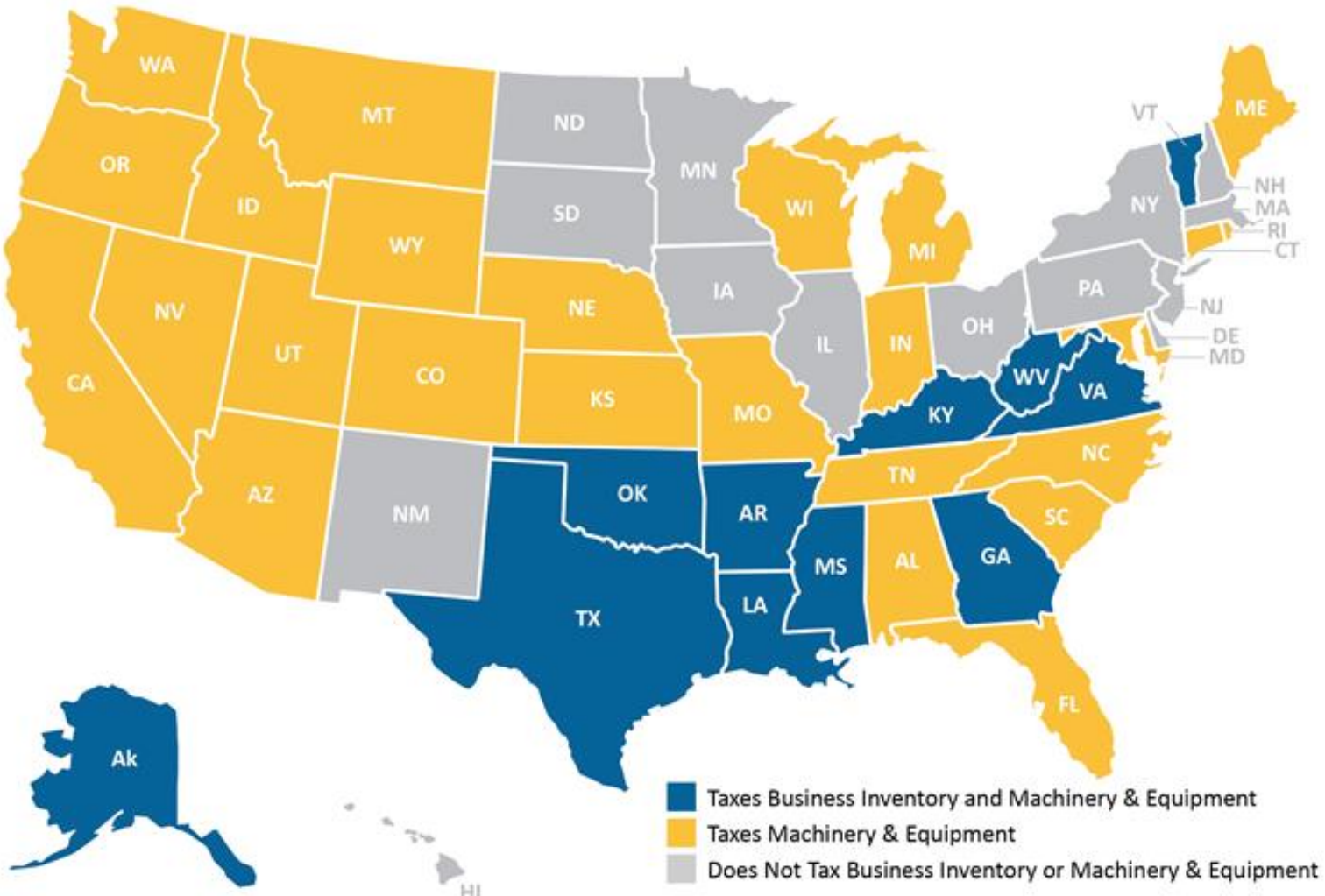
Average tax incidence of industrial property taxes in Minnesota



Source: Minnesota Department of Revenue, 2021 Minnesota Tax Incidence Study

West Virginia Isn't an Outlier: Most States Tax Business Personal Property

35 states have inventory and/or machinery and equipment taxes

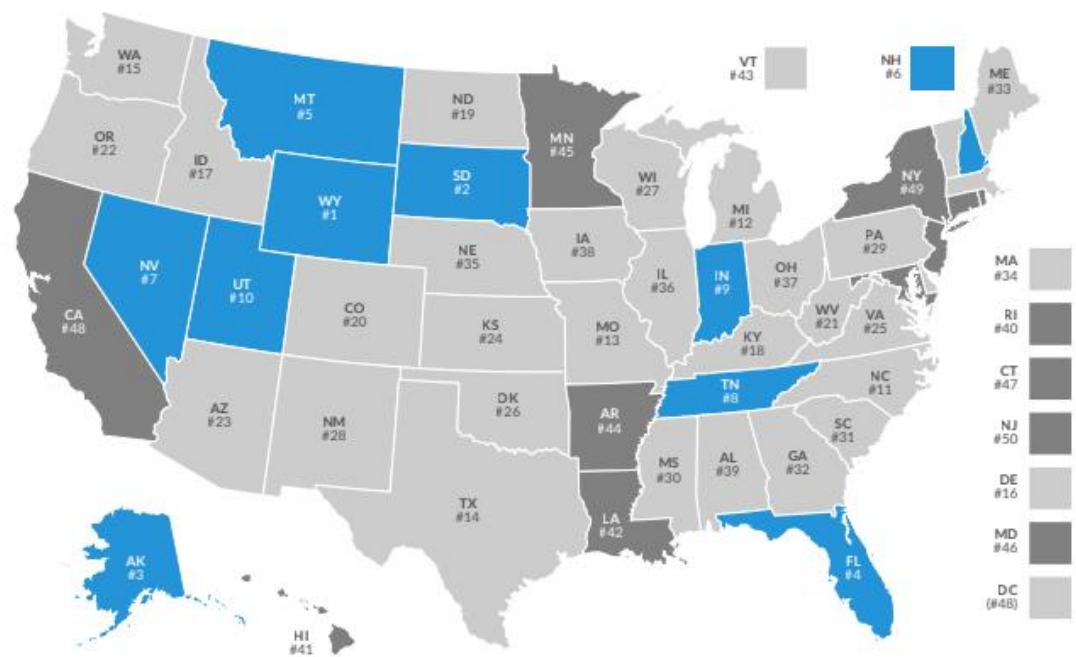


- Many states that exempt business *personal* property have much higher rates on business *real* property (e.g. Illinois).
- Some states that exempt business personal property have other ways to tax this property. For example, New York taxes most business equipment as “real” property, North Dakota taxes oil/gas machinery as real property,. Meanwhile, Massachusetts businesses pay an annual corporate excise tax on personal property.
- In several states, businesses pay a sales tax on the purchase of manufacturing machinery and parts.

Source: Lincoln Institute on Land Policy

Conservative Tax Foundation Ranks West Virginia Above All Neighboring States in Business Tax Climate; 9th Best in Business Property Tax Climate

2022 State Business Tax Climate Index



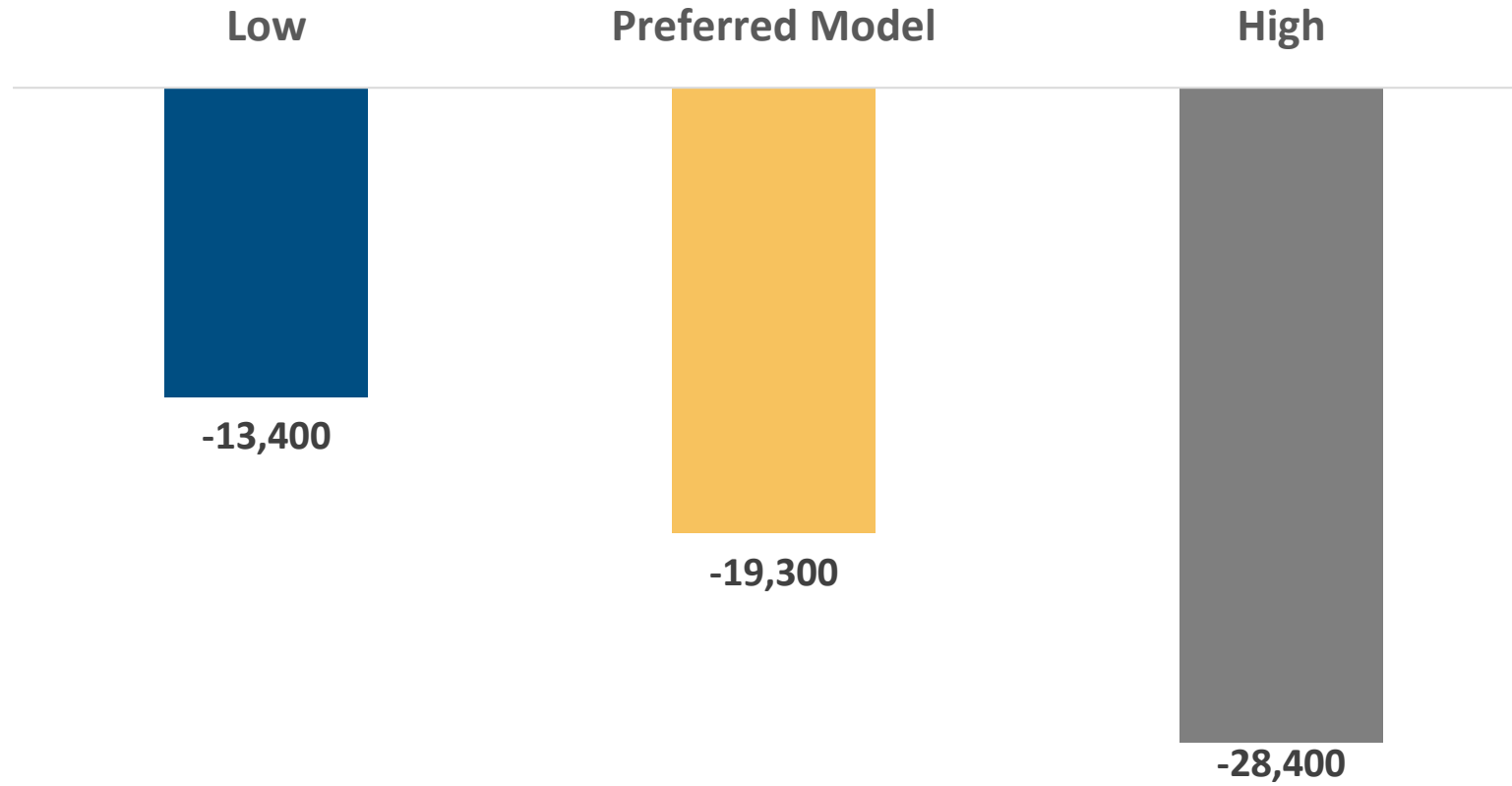
Business Property Tax Rankings, 2022

1. Indiana
2. New Mexico
3. Idaho
4. Delaware
5. Nevada
6. Ohio
7. Utah
8. Missouri
9. **West Virginia**
10. North Dakota

Note: A rank of 1 is best, 50 is worst. D.C.'s score and rank do not affect other states. The report shows tax systems as of July 1, 2021 (the beginning of Fiscal Year 2022).
Source: Tax Foundation

■ 10 Best Business Tax Climates
■ 10 Worst Business Tax Climates

Ohio Phased Out Their Business Personal Property Tax, Leading to a Significant Loss of Manufacturing Jobs

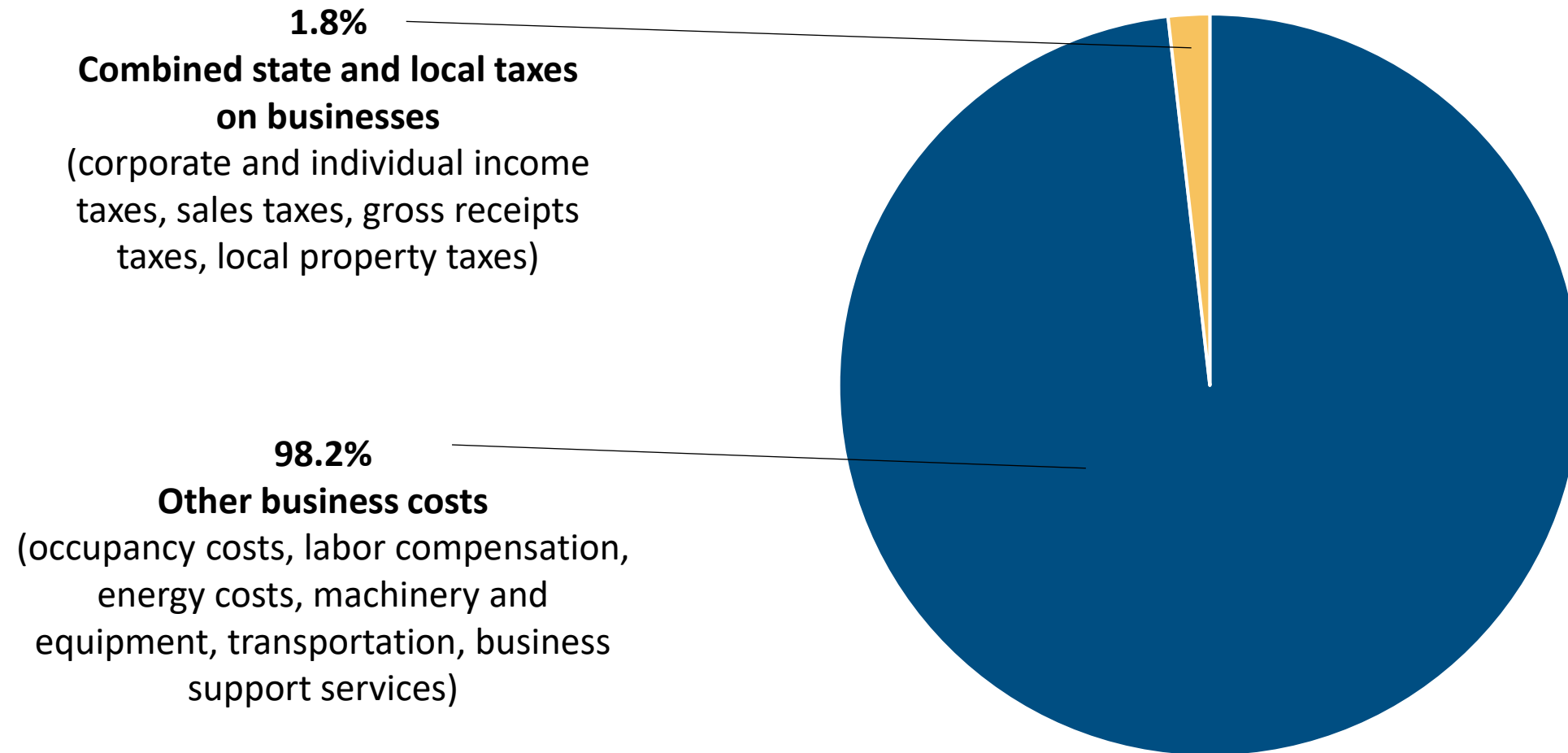


“We estimate that from 2006 through 2015 between 13,400 and 28,400 manufacturing jobs were lost per year on average because of the tax’s elimination. From our preferred model, the estimated effect is 19,300 fewer jobs per year on average” (Mughan and Propheter, September 26, 2017)

Source: Sian Mughan and Geoffrey Propheter, “Estimating the Manufacturing Employment Impact of Eliminating the Tangible Personal Property Tax: Evidence from Ohio”

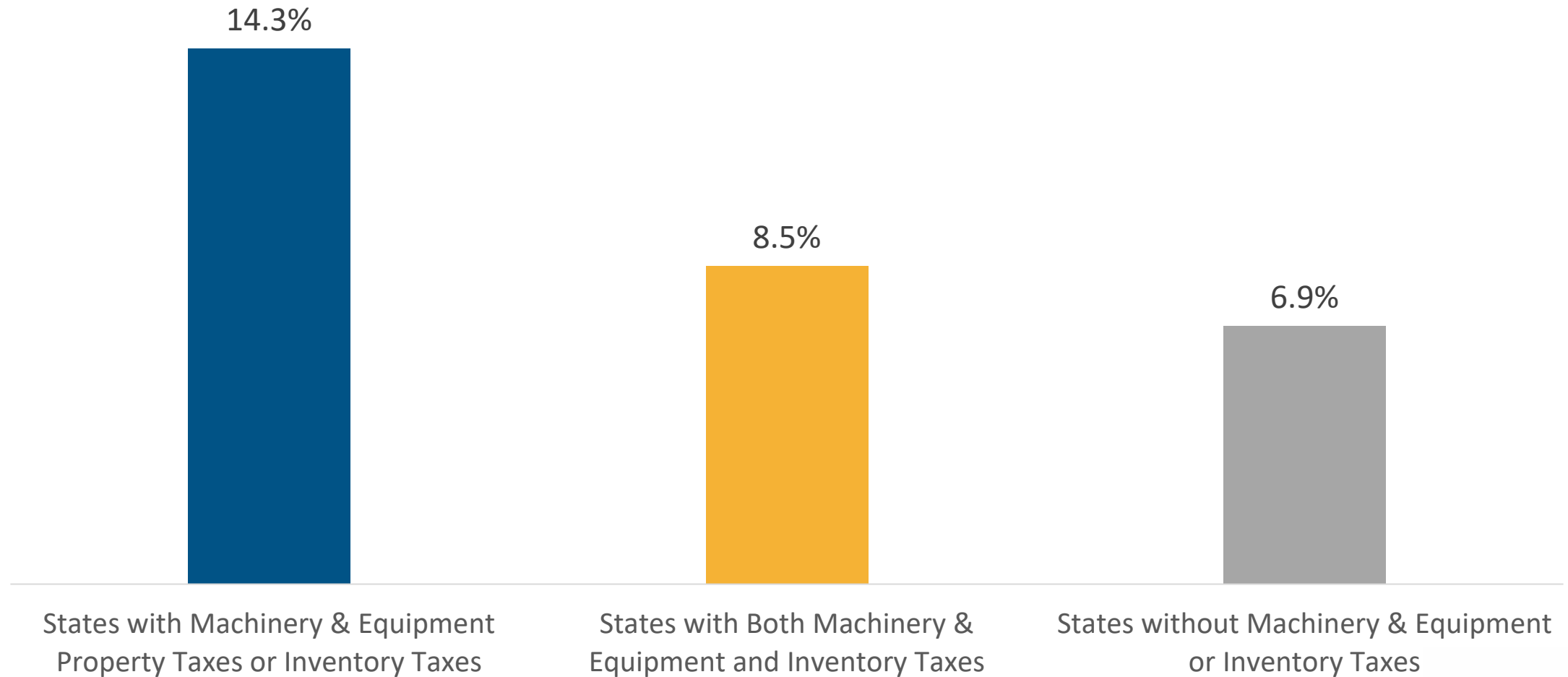
State and Local Taxes are a Small Share of the Cost of Doing Business

Total state and local taxes on businesses as a share of total business costs, on average



States with Business Inventory and Equipment Taxes Have Had More Manufacturing Job Growth Than States Without

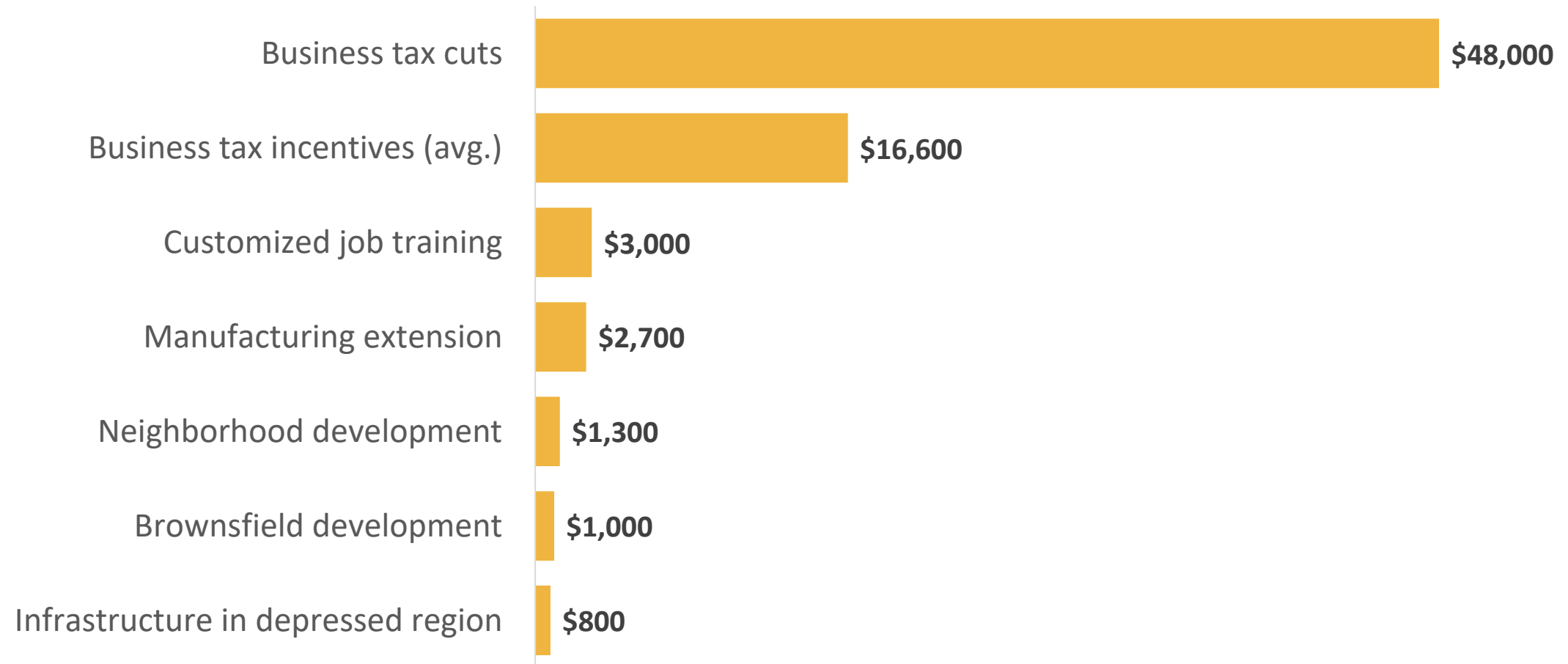
Average Manufacturing Job Growth 2010-2019



Source: WVCBP analysis of BEA and Tax Foundation data

There Are Far More Effective Ways to Boost Manufacturing Without Putting our Communities at Risk

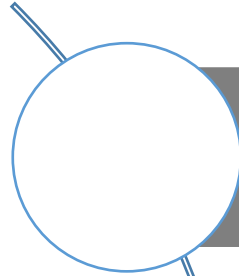
Cost per Job-Year Created of Policies to Boost Jobs



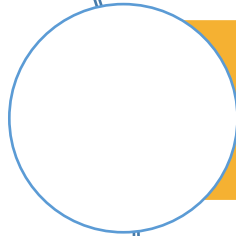
Source: Tim Bartik, Center on Budget and Policy Priorities

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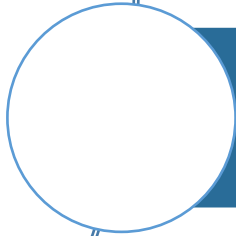
While Businesses See Most of the Benefits of Amendment Two Proposal, Residents Would Be on the Hook For the Fallout



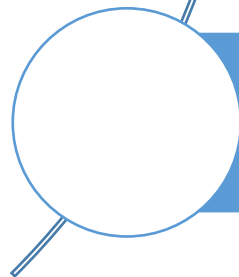
If Amendment Two passes and property tax cuts are enacted, we will almost certainly ultimately see cuts to local public services that residents rely on, increases in other taxes that fall more heavily on West Virginia residents, or both.



Earlier efforts to put this amendment on the ballot proposed to *replace lost revenue from business personal property taxes with increased sales and other taxes that fall more heavily on West Virginia residents*. The current Senate Plan relied on unrealistic revenue and spending assumptions.



Local communities will lose the Constitutional protections and authority to raise funding to pay for necessary public services and education, which could lead to teacher layoffs, larger classrooms, longer 911 wait times, and fewer fire fighters and other public safety officials in our communities.



The business personal property tax funds services that current businesses rely on and new businesses would be attracted by: police and fire protection for the property itself and high-quality local schools that attract and educate employees.

Amendment 4 myths



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- “Parents don’t have a voice in education”
 - **FALSE**
 - The State Board of Ed. has a mandatory, transparent, and closely scrutinized comment and evaluation period for every policy/rule they propose
 - Amendment 4 does not honor this

Amendment 4 myths



- “West Virginia’s part-time legislature is equipped to make decisions that impact our classrooms”
 - **FALSE**
 - The State Board of Ed. has only one issue before it- education. The state legislature has many and only 60 days to make decisions. You can not make deliberative, community informed decisions in two months

Amendment 4 myths



- “Amendment 4 only provides ‘some oversight’ or ‘some accountability to the State Board of Education”
 - **FALSE**
 - Amendment 4 puts K-12 public education under the control of the WV state legislature
 - A governor’s veto can be overridden by majority vote