

Legislative update (Special Session) Nov. 14, 2006, Tuesday

Tax reductions special session November 2006; session ends

WVHI supported the governor's agenda

CHARLESTON -- The West Virginia Legislature completed its work tonight on Gov. Manchin's tax-cut proposals, passing them essentially intact and then adjourned the special session that began Friday. It was another major success for the governor. These breaks should return \$5 million to the people in 2007 and \$32 million in 2008.

Here is a thumbnail sketch of the primary taxes and the first four would probably effect us the most. These business tax breaks are not spectacular but they are a step in the right direction in a number of areas:

- Reduce the corporate net income tax rate to 8.75 percent from the current rate of 9.00 percent.
- Reduce the business franchise tax from 0.70 percent to 0.55 percent.
- Provide an exemption for the 6 percent tax on building supplies for contractors who work is on plants that are primarily considered used for manufacturing.
- Allow for a taxing system that will take the rate of tax from 4 percent to 6 percent on people who live in West Virginia only on a part-time basis and who take money out of partnerships, estates, trusts and S corporations.
  
- Further reduce the 5 percent tax on food (except for soft drinks, which goes to 6 percent) by another 1 percentage point this year, and an additional 1 percentage point (to 3 cents) by 2008.
- Implementation of an indexed family tax credit, which will eliminate the personal income tax on families with incomes below the federal poverty level.
- Expand the senior citizen tax credit for property tax to provide a credit (applied against the personal income tax) for the taxes paid on the first \$20,000 of assessed value over and above the homestead exemption. Currently, the level is \$10,000 and this money must be applied for and refunded from the state. About half the people eligible for this break do not take it for one reason or another. About 30,000 do.
  
- Lawmakers also provided an extra \$80 million to pay down the massive longrange unfunded liability of the Teachers Retirement System, which should indicate to Wall Street that West Virginia is getting its longterm debt in hand.