

# West Virginia Tackling Tax Reform

by Walter Rybeck, Kensington, MD

Although West Virginia already has one of the lowest property taxes in the nation, the Governor's Commission on Fair Taxation in July recommended: 1) less reliance on the property tax, 2) funding schools with revenue sources other than the property tax, and 3) scuttling the statewide property tax.

The Commission, named by Governor Cecil H. Underwood in 1997, is chaired by Robin C. Capehart, the State Secretary of Tax and Revenue. Generalities in its initial draft, called "Agenda for Fair Taxation" (available on website [www.state.wv.us/fairtax](http://www.state.wv.us/fairtax)), are to be fleshed out with actual tax rates and an analysis of their impacts in a final report due by the end of 1998.

By way of background, West Virginia with its chronic poverty and high unemployment is usually considered a very poor state. In terms of natural endowments, however, it is one of the richest. Besides its scenic mountains, half the state is underlain with thick seams of bituminous coal. Coal reserves are estimated in the hundreds of billions of tons. It has thousands of working oil drills. It produces more natural gas than any state east of the Mississippi. Its quarries, sands, clays and forests feed the nation's construction and production lines.

Why is there poverty amid such riches? Professor emeritus of Political Science James Busey of Colorado, a specialist in Latin America, responds that places "plagued" with abundant natural resources typically attract exploiters who rush to grab the land. The absentee owners monopolize the gifts of nature, control officials and shape laws to deny the general public any significant benefits from "their" resources. That West Virginia followed this Third World pattern is nowhere more evident than in its tax laws.

After the U.S. Supreme Court and state courts objected to massive underassessment of coal and other inequities in its tax laws, the state wasted millions of dollars—and the public's confidence—in two decades of bogus revaluation and tax revision exercises.

To help the state focus on sound principles of taxation, Dr. Arthur Rybeck of Wheeling organized MUST! (Mountaineers United for Sane Taxation)—a coalition of religious, labor, business, environmental and citizen action leaders. MUST! Attracted considerable press and public interest, but those in power chose not to listen and overwhelmingly opted for the status quo or unworkable new gimmicks.

The current proposals are intended to repair the damage from those botched efforts. Existing taxes that cater to special interests and suppress growth are so defective that these proposals, despite serious shortcomings, would at least offer some improvement.

Four property tax proposals are actually commendable:

- \* Repealing personal property taxes on motor vehicles, machinery, equipment, inventory and intangibles.

- \* Removing property tax rates from the state constitution.

- \* Easing restrictions on the use of property taxes by cities and counties.

- \* Substituting professionalism for politics in assessment appeals procedures.

The Commission's main proposals are a Progressive Personal Income Tax, a Single Business Tax and a General Excise Tax. Although better than the horrendous taxes they are designed to replace, they will still tend to retard the things West Virginia most needs—more jobs with higher incomes, more profitable commercial and industrial enterprises (for both small and large busi-

nesses) and vigorous consumer activities to support them. Of course, the higher the tax rates in each case, the greater the likely disincentives.

Because West Virginia's assets are so concentrated in its natural resources, its scenic beauty, and its urban and industrial sites, land taxes would seem to be the logical centerpiece of its revised tax system. A pure land value tax on natural resources alone would be an excellent source for school funding. Either a pure land value tax or a two-rate tax on all property except nonrenewable resources would seem best suited for city and county governments. The commission is being asked to consider these alternatives, several of which were introduced in the past five years as constitutional amendments and won support from sizeable minorities of the legislature.

*Editor's note: Walter Rybeck, Director of the Center for Public Dialogue, started his journalism career in his native Wheeling, WV. He is a former Washington Bureau Chief for Cox Newspapers. He was the Asst. Director of the National Commission on Urban Problems, and was Asst. to Congressman Henry Reuss (D-WI) on the House Banking, Finance, and Urban Affairs Committee. Rybeck also served as Policy Asst. to U.S. Rep. Wm. Coyne (D-Pittsburgh). See this GroundSwell's related article, "Response to the W.V. Report on Fair Taxation," and also Nov.-Dec. 1996 GroundSwell, "West Virginia Two-Rate Bill Passes House."*