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VIRGINIA'S LEADING RETAIL, SMALL BUSINESS AND MANUFACTURING ORGANIZATIONS CALL FOR TAX REFORM

RICHMOND, VA, SEPTEMBER 22, 2014 – The Thomas Jefferson Institute for Public Policy, Virginia Retail Federation (VRF), National Federation of Independent Business (NFIB), and Virginia Manufacturers Association (VMA) call on Governor McAuliffe and the General Assembly to reform Virginia's tax system in light of the \$2.4 billion state budget shortfall.

Virginia is losing ground in cost of doing business. CNBC just ranked Virginia #30 in "cost of doing business" in its coveted 2014 ranking of [America's Top States for Doing Business](#). The TAX Foundation recently scored Virginia's [business tax climate](#) at #26 – not even breaking into the top 50% of states. The [Manufacturing & Logistics Report](#) gave Virginia's tax environment a "C+" this year.

Competition is gaining ground while Virginia remains relatively static. For example, Michigan recently repealed its entire tax on personal property providing a \$590 million incentive to businesses to invest in the ailing state economy. Tennessee is weeks away from voting on a constitutional amendment to bar their legislature from ever imposing a state income tax. North Carolina even recently adopted comprehensive tax reform including a flat income tax that will drop to 5.75% by 2015.

The groundwork has already been done in Virginia to chart a path toward comprehensive tax reform. In 2013, the Virginia Small Business Commission and the Manufacturing Development Commission collaborated in developing a set of four working proposals that would form the foundation of comprehensive tax reform leading to neutral tax choices and future revenue potential from greater economic activity. The Thomas Jefferson Institute and Beacon Hill Institute developed a [tax model](#) to assess the benefits and costs of these choices. The nearly year-long work of the business community and aforementioned commissions resulted in a clear [opportunity to reform](#) the Business Professional & Occupational License (BPOL) tax, Machinery and Tools (M&T) tax, Merchant's Capital tax as well as sales, personal income and food taxes without harming local government.

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“Tax Reform is not a partisan issue. It is a pro-economic growth issue. It is clear that Virginia has to move into a more competitive position vis-à-vis the other states that are ahead of us on tax reform. This can encourage jobs and investment without costing the state overall tax dollars. It is how and what is taxed that encourages or discourages economic growth. As Virginia strives to wean itself from its overly heavy reliance on the federal government, tax reform is key to growing the economic pie so that we become more prosperous,” said **Michael Thompson, President, Thomas Jefferson Institute for Public Policy.**

“The retail industry supports Virginia’s economy. Our retailers strive daily to successfully operate and grow their business while supporting their employees and serving their community. Regulations and restrictions, such as the BPOL, M&T, and MC taxes, make it more difficult to grow our businesses and serve the Commonwealth’s economy,” said **Nancy Thomas, co-president of Virginia Retail Federation.**

“Small business is the engine that drives Virginia’s economy, but high taxes are making it harder and harder for small businesses to grow and create jobs. We need to fix Virginia’s broken tax system and stop punishing small, family businesses for beating the odds and being successful,” said **Nicole Riley, State Director, NFIB/Virginia.**

"VMA encourages Governor McAuliffe to target and prioritize state spending cuts while using this challenge to form a 'blue ribbon commission' to overhaul the Commonwealth's tax code and unleash private capital spending and job creation” said **Brett A. Vassey, VMA President & CEO.**

The bottom line is that the Virginia revenue forecast is bleak and decisions have to be made now to adjust to a new economy with less Federal spending. A new tax code that will foster technology investments and small business job creation is a real remedy to what ails the Virginia economy.