THOMAS JEFFERSON INSTITUTE FOR PUBLIC POLICY
9035 Golden Sunset Lane • Springfield, Virginia 22153

703/4440-9447 (o)
703-455-1531 (fax)
mikethompson@erols.com (email)

Contact: Michael W. Thompson,
Thomas Jefferson Institute for Public Policy
703-440-9447

For Release at 11:15 a.m. April 27, 2012

Media Statement by Michael Thompson

Tax Restructuring in Virginia

The Thomas Jefferson Institute for Public Policy has been working on a major new Tax Restructuring proposal for Virginia. The results of more than 18 months of work by two sets of highly respected economists show that the state income taxes on the poorest citizens in our state can be eliminated if so desired. And depending on how the tax restructuring is accomplished, this study shows that as much as a 10% tax cut can be provided to everyone remaining on the tax rolls. In addition, substantial economic growth can be generated, tens of thousands of additional jobs created and the same level of tax income can be available to state and local governments. This is one of those rare opportunities that is a win-win for our state.

By expanding the current sales tax to most of the industries that do not now collect it from their end user individuals, every individual taxpayer can be substantially helped, the competitive business environment for Virginia enhanced and our state and local governments will not lose a penny.

This new Thomas Jefferson Institute study, "Tax Restructuring in Virginia: Revenue Neutral Path for Improving Virginia's Economy," was researched by Chmura Economics and Analytics of Richmond and a computer model was built to test various scenarios for this tax restructuring concept by the economists at the Beacon Hill Institute (BHI), an independent public policy foundation at Suffolk

University in Boston, Massachusetts. Tax models by the Beacon Hill Institute have been used by the Jefferson Institute in the past with positive feedback from legislators and executive branch leaders of both political parties. These models were used during the Mark Warner sales tax battle and the transportation funding battle a few years ago.

Nine economic scenarios were run through the tax model. The goal was to find a restructuring plan that would help business grow the economy, reduce either the sales tax or the state income tax, and broaden the current sales tax on services provided to consumers in order to pay for the tax reductions. The health and medical sales tax exemptions were maintained in most of the scenarios and some scenarios added a few other industries to illustrate the impact on the economy. And all of this was crafted in revenue neutral way in all the scenarios so that the overall tax burden paid in Virginia would remain the same. That was accomplished in each of the nine suggested tax restructuring plans outlined in this report.

I found it absolutely fascinating that so much good could be accomplished by restructuring the current taxes without the overall tax burden being any different than it is today.   This shows that income taxes can be eliminated on those least likely to be able to pay, economic growth can be substantially improved and our tax burden can remain the same.

This new study shows that the unpopular gross receipts tax on business (known as the Business Professional Occupation Licensing tax known as BPOL), the Machine and Tool Tax and the Merchants Capital tax can be eliminated while, in one scenario from the tax model, the bottom two tax brackets could be eliminated and everyone else would pay about 7.5% less state income tax. In another scenario, the bottom tax bracket was eliminated and everyone else's taxes were reduced by 10%.

It is time for Virginia to look at its out-dated and antiquated tax code and bring it into the 21st Century. The BPOL tax, for instance, was started almost 200 years ago in order to pay Virginia's share of the War of 1812. We now have the facts in this new study and our tax model to dramatically improve Virginia's economy while giving every tax payer a substantial reduction in their state income taxes. We encourage our leaders to pursue a sensible tax restructuring that can help everyone in our state."

This new study can be found on the Thomas Jefferson Institute's website: www.thomasjeffersoninst.org