



SAMPLE LETTER

September 18, 2015

General Assembly Candidate
123 Main Street
Sometown, Virginia 11111

Dear Candidate:

We are writing today because you hope to be in a position to make important policy decisions for Virginia. If you win your election this November, two of the biggest issues facing you will be:

- 1) how to revive Virginia's economy and create a robust jobs market; and
- 2) how best to respond to the impact of federal spending reductions that have already impacted our economy in a negative way.

Without a robust and growing economy, the ability of Virginia to fund education, transportation and public safety becomes much more difficult.

And with federal spending in Virginia decreasing, our future must be based on encouraging job growth in the private sector – in companies not as reliant on federal dollars as in the past.

But in one business survey after another, Virginia's business reputation is slipping from its high rated position of just a few short years ago.

- Of the 15 largest job markets, Washington's area job growth was dead last in 2014.
- *Chief Executive* magazine survey of "Best States for Business" dropped Virginia three places last year – to number 14.
- CNBC's recent ranking of "Top States for Business" dropped Virginia three places to number 12.
- *Site Selection* magazine's "Top Ten Competitive States" for economic development no longer lists Virginia at all.
- And Virginia ranked at the very bottom in technology job employment changes for 2013-2014.

On top of all that, our state economy did not grow last year – not at all. Our growth rate was zero.

Without more and better private sector job creation, Virginia's business environment will continue to deteriorate and that will negatively impact our tax base and our ability to improve education, build a better transportation system, and keep our streets and communities safe.

Government action to revive our economy, create tens of thousands of new jobs, and help our taxpayers at the same time is the ideal public policy. That is why we are writing you today.

We have just such a plan and we encourage you to take a serious look at it. It creates tens of thousands of new jobs over the next five years and, at the same time, reduces income taxes and can even eliminate the highly regressive tax on groceries. Our plan rebuilds a vibrant economy, encourages job creation vis-à-vis other states and it builds private sector growth not dependent on the federal government spending.

The Thomas Jefferson Institute and our three major job-creating business associations here in Virginia have been working together to develop a tax restructuring plan that can create up to 79,000 new jobs over the next five years. The manufacturers, the retailers, and the state's 6,000 member strong association of small businesses – the state's chapter of the National Federation of Independent Business – have worked on this plan along with the Jefferson Institute, our state's highly respected independent public policy foundation.

We built a dynamic economic model that allows us to run a series of scenarios on how to improve our economy, reduce income taxes and eliminate the impact of the universally condemned BPOL tax (the gross receipts tax or Business Professional Occupation Licensing tax and only five states have such a tax), Machine & Tool tax (M&T), and the Merchants Capital tax (MC) which is based on an annual inventory.

Governor McAuliffe and his opponent, then Attorney General Ken Cuccinelli, called for the elimination of these three taxes during their race two years ago. And tax reform might well be part of his legislative agenda in January.

True tax restructuring can bring quick job creation and that is exactly why we want you to be aware of our plan. More jobs can be created, and more quickly, through tax changes than other government programs and policies.

Our well-thought through tax restructuring plan encourages private sector job growth and makes Virginia once again a leading pro-growth state as we were only a few short years ago.

This plan will create tens of thousands of new jobs according to the respected tax model we have built through the economists at the Beacon Hill Institute at Suffolk University in Boston. This plan has no new business-to-business taxes. It eliminates the three clearly job-destroying taxes – BPOL, M&T and MC taxes -- that most know hinder economic growth.

And our plan offers various tax cuts for all of us. There are different ways to cut our personal taxes depending on how the state proceeds. And, to make this plan revenue neutral so that our funding for schools, roads and public safety are not impacted, it would broaden the sales tax to include those services not now taxed except for all health care services that would remain

untaxed. Each year we become more of a service oriented economy. Our tax plan recognizes this while reducing income and other taxes that encourage more spending in our economy.

By broadening the sales tax to such items as haircuts, dry cleaning, personal legal bills, and airline tickets, there is enough money to cut income tax rates by 17%; or eliminate the lowest two income tax brackets on those least able to pay and reduce the other income taxes by 9.25%; or we could eliminate the tax on our groceries and the bottom two income tax brackets while reducing the remaining income taxes by 3%. And, as outlined earlier, tens of thousands of new jobs would be created in five short years.

We ran 23 different scenarios through the tax model and four of these were looked at by the Manufacturing Development Commission and the Small Business Commission during four public hearings. Those four are enclosed and all 23 can be found on the Jefferson Institute's website: www.thomasjeffersoninst.org.

Each of these scenarios have the same basic criteria behind them:

- 1) Tens of thousands of jobs are created;
- 2) Income taxes are reduced or specific brackets eliminated and/or in some of the 23 scenarios the grocery tax is also eliminated;
- 3) This overall plan is revenue neutral;
- 4) The impact of BPOL, M&T and MC taxes are eliminated;
- 5) No new business-to-business taxes are applied;
- 6) The localities that collect these three taxes are kept whole;
- 7) The sales tax is broadened to services not now liable for collecting it except there is no sales tax on any health care services just as is the case today.

Our plan and the tax model behind it clearly show that a modern tax code can be a significant job creation tool. It shows that a modern, creative tax code will drive robust private sector growth. And our plans shows that even in Virginia's relatively "low tax state" it is how we tax that can have significant impact on job creation.

BPOL, Machine & Tool and the Merchants Capital tax are all collected at the local level and our plan makes sure that these localities are not denied these local resources. This can be done in one of two ways according to the Secretary of Finance, Ric Brown:

- 1) The state can send a check to the localities to make them whole after the money from the broadened sales tax is collected by the state, or
- 2) The localities that collect these taxes today can continue to do so and the businesses can then reduce their taxes to the state by this same amount. This assures the localities that they will not lose any money toward their own budget requirements while the impact of these anti-business taxes will finally be eliminated.

Virginia is faced with a declining economy and our status compared to other states has been slipping for years. Our tax restructuring plan is the only idea on the table today that will grow our economy while producing tens of thousands of new jobs over the next five years.

This tax plan can stop our current economic decline. And it is revenue neutral so that our citizens here in Virginia are not paying any more in taxes than they are today. And there are no new business-to-business taxes that would only discourage economic growth.

If Virginia wants to break out of its current economic doldrums and once again become an economic magnet as we were a few short years ago, then this tax plan is the way to go.

Economic growth means that manufacturers, retailers and small businesses must grow and government policy – especially tax policy – can be the catalyst for such growth.

We encourage you to support this tax restructuring plan and if you should be honored to serve in our General Assembly, that you will support a plan along these lines.

Thanks for your interest in serving our state and we look forward to working with you on this tax restructuring idea. If you have any questions please feel free to call any of us.

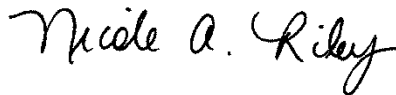
Sincerely,



Michael W. Thompson, President
Thomas Jefferson Institute
(703) 440-9447
Info@thomasjeffersoninst.org



Brett Vassey, President
Virginia Manufacturers Association
(804) 643-7489
bvassey@vamanufacturers.com



Nicole Riley, State Director
Virginia NFIB
(804) 377-3661
Nicole.Riley@NFIB.ORG



Nancy Thomas
Virginia Retail Federation
(804) 662-5500
nthomas@retailmerchants.com



Ray Mattes
Virginia Retail Federation
(757) 455-9332
rmattes@retailalliance.com