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Tax Reform Urged by Jefferson Institute at Legislative Hearing

Michael Thompson, President of the Thomas Jefferson Institute for Public Policy, urged the General Assembly on Friday to restructure the tax code in Virginia in a revenue neutral way that could create tens of thousands of jobs.

The Small Business and the Manufacturing Development Commissions held their fourth public hearing on the Jefferson Institute's tax reform idea in Charlottesville on Friday, October 17th. Thompson testified for the second time to these Commissions on his tax restructuring idea.

This tax restructuring would expand the collection of sales taxes to the service industries except for health care. These additional funds would then be used to reduce and eliminate personal taxes and three business taxes seen as harming employment. These are the taxes on gross receipts, machines and tools and inventory that are today collected by various localities in the state. These localities would be reimbursed dollar for dollar from the new sales taxes on services. There are no new business-to-business taxes in this proposal.

Using a dynamic economic model created by a group of economists at Suffolk University in Boston, the Jefferson Institute has shown the results of various tax reform combinations.

Depending on the scenario used, as many as 79,000 new jobs can be created over the next five to six years. In another scenario, the food tax would be eliminated and the bottom two tax brackets eliminated. Six tax reform scenarios were presented to the Commissions.

Thompson said, "The General Assembly can re-arrange our taxes in a way that is revenue neutral, keeps the localities whole from an income point of view, and reduces taxes in a way that can create tens of thousands of new jobs. New jobs will pull our economy out of the doldrums. We have presented a plan that can do this and that has caught the imagination of a broad group of people and organizations here in Virginia."

Thompson's testimony can be [found here](#) and the entire study, *Tax Restructuring in Virginia*, can be [found here](#).

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